FAR EASTERN

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TRADE AND DEVELOPMENT IN EAST ASIA

The Japanese Prime Minister, in his pilgrimage to South-East Asia, carried as his major device the banner of the Asian Development Plan. The Communists, especially in Indonesia, naturally shouted it down, and, recalling the Co-Prosperity Sphere of unhallowed memory, insisted that behind it lay much the same object of gaining a monopoly of trade and development. Those who would be quite eager for a Soviet or other Communist monopoly would say that anyway. A more promising approach associated Japan's projected partnership in development with the Common Market and Free Trade Area in Europe. No doubt the spirit of emulation of the West, already so profound all over Asia and Africa —even when the Russians provide the more specific model—is broad enough to cherish this expansion also. Certainly things are going ahead in the West. The new bodies are in being and their Presidents or Directors have been appointed. And on January 28 Professor Walter Hallstein, the German President of the Common Market, announced at the end of the four-day session of the Commission that it was definitely in favour of the proposed 17-nation European Free Trade Area. A working group was appointed to prepare liaison with the Committee of the O.E.E.C. charged with negotiations for a Free Trade area. At the same time Western plans for economic aid to Africa, drawn up by the Commission for Technical Co-operation in Africa, are soon to be published. The members are Britain, France, Belgium, Portugal, South Africa and the Central African Federation. The plan will include provision for aid from non-members, including the U.S., Germany, Italy, Canada and Holland. It will not be anything like so ambitious as the Colombo Plan as yet, but it is an earnest of what is to come.

It is natural that there should be some response in South and South-East Asia to these stimulii. Politically fragmentation may not yet have reached its end, but the farther it goes the more essential must it be that the saving grace of economic links and interests be applied to heal the breach and to build larger units anew from the solid foundations of economic common-sense. Everywhere change is in the air—even in Hongkong, where trade maintains its high levels in spite of tremendous movements up and down within this or that market. From Rangoon, of all places, we receive the comment of a well-informed paper which anticipates that Hongkong will readjust its foreign trade this year, moving into the new and luscious economic pastures of the North American Continent, and even into the African market, while markets nearer home become uncertain or are becoming the centre of Communist, sell-at-any-price competition. The anticipation was intelligent, but not altogether intelligent enough, since Hongkong does not propose to surrender any field it has so far cultivated without a hard fight.

It is significant that from Bangkok, where the delegates of the ECAFE Trade Committee were meeting, and from Tokyo, messages came on the very same day. The first of them announced that Asian countries had expressed misgivings that the European Common Market scheme might have "harmful effects" on their trade and development. The Japanese delegate expressed the earnest hope of the Japanese Government that the European community would not have an exclusive character. He said "many other regions had common market schemes under consideration," and in due course it might be necessary for the same sort of Intra-Regional agreement to be reached for the ECAFE region. Japan, the Philippines and Malaya indeed suggested that the ECAFE Secretariat make a study of the Common Market scheme for Asian members. The Indian and Pakistani delegates expressed the

fear that such a scheme might cut down the flow of development capital into the ECAFE region. Capital might be directed instead into the territories of the Common Market region because of the benefits of Customs duties on products from those regions. The Russian delegate, of course, held that a Free Trade area would be an obstacle in the path of developing international trade and would contribute to a worsening of the economic position of the under-developed countries, while the U.S. delegate, Mr. Eugene Braderman, contended he believed that the Common Market was a major step forward.

Behind them great forces were almost visibly being mustered for a different kind of battle of profound significance for the future of these areas. As the message from Tokyo saw the picture, the Soviet Union had opened "a massive campaign of economic penetration in the Far East." Russia's economic wooing of Asia's under-developed countries came into sharp focus at the Trade Committee meeting in Bangkok. It was a much less provocative and sensational follow up of the socalled "unconditional aid" offer at the Afro-Asian Conference of Communist peacefighters in Cairo, where Picasso's dove was no longer the emblem though the evolution of both the conference and of the delegates was obvious. In between there had been the offer of a loan of US$100m. to Indonesia. The purpose of these unconditional loans is to draw the recipients into the Communist network. At Bangkok the Soviet delegate offered to sell Soviet heavy machinery and development equipment on five-year credits and also offered long-term agreements to purchase the basic commodities of Asia.

We may expect a suitable reply to be made to this when the U.S. Secretary of State attends the meeting of Ministers of SEATO in Manila in the second week of March. The fight is on and it is one the free world can win, even if Java or a large part of it falls under the administration of local Communist councils. But it needs to be recognised that the rivalry is now global. Western Europe has blocked itself off from the Communist menace and is organising itself, in co-operation with Britain and the countries of the projected Free Trade Area, in a way that makes large-scale Soviet economic penetration almost impossible. The issue remains yet to be decided in the Middle East, though even there the free world, which is the indispensable buyer of the oil as well as partners in its production, has the upper hand because of its twofold role. Now the Communists are moving into the Far East, and Japan—as the major instrument of constructive development and of the actual work in the field, seems likely to confront a two-front challenge from both the Soviet and the Chinese Communists. ECAFE has long been buried under an immense amount of paper-work. People were getting rather cynical about it—the body that wrote innumerable minutes and reports, made innumerable speeches, and did nothing—absolutely nothing. But now it is seen that the preparatory work has been well and usefully done and that now the battle for the future is joined across the table. Bangkok was, of course, only the preliminary skirmish, and the actual scene of conflict lies elsewhere.

Inter-regional trade promotion has been intensively discussed earlier in sub-committee. The talks covered most of the major products and the data will no doubt minister to the studies and developments of the future. Japan herself obviously holds that greater strides ought now to be considered beyond the bilateral negotiations and trade and payments agreements which have hitherto served the purpose. Some of the big Powers have a body of trade commissioners and extensive networks of operation through trading firms and diplomatic channels, beyond the competence of smaller countries. Japan therefore suggests that conferences be held through the intermediary of the ECAFE Secretariat for the Intra-Regional promotion of trade, similar to those held in the course of the Economic Committee of Europe's trade consultations since 1953 which made so substantial a contribution to the promotion of regional trade in Europe.

The chief Japanese delegate went into considerable detail in expounding the direction and purposes of such discussions, for which no doubt the European precedent constituted a useful and stimulating lead. His approach was nevertheless remarkably empirical. Delegates could talk about anything they wished to bring up. Thus is broached a project for the constituency of ECAFE not unlike that which has now led to the Common Market in Europe and is soon to lead to the Free Trade Area as well. It is not by any means a mere coincidence that this move synchronised with a more decisive insistence on the importance of co-operation from Britain in such a development, and the demand by the former Japanese Ambassador to Britain for stronger ties between Japan and Britain in the fields both of international politics and of economy. Japan cannot fight a lone battle and win in view of the unhappy past and in view of the almost certain co-ordination of the Soviet and Chinese as well as other Communist offensive. Mr. Haruhiko Nishi, in an article in the Japanese papers under his own name, said that the foundations of increasing mutual Anglo-Japanese co-operation have already been laid, and it is now up to the politicians to build on these foundations. His article was a very remarkable tribute both to Britain's real influence in the world and to her peculiarly strong position in easing East-West tensions and in projecting the liberal views she has always served in the domain of international trade, so as to prevent the new Common Markets and similar blocs—outside the Communist world—from becoming exclusive and monopolistic. The State Department's leading economic officer, Mr. C. Douglas Dillon, a Deputy Secretary of State, said at Detroit on January 27 that the powerful Soviet trade drive could put U.S. security in the "gravest jeopardy." He said that Communist exports to the free world rose more than 70 per cent in four years

and reached US$3,100 million in 1957, while in the last three years the Communist bloc had agreed to provide about US$2,000 m. in economic aid to less developed countries. This aid was designed to lay the basis for Soviet trade expansion later on, he said. He used this argument to urge an extension by Congress of the Presidential power to reduce tariffs and promote a free flow of trade in the free world which, he said, was vital. "Never before has our trade agreements programme been so vital to our national security," he declared; and he added that the Soviet trade drive (which nobody is so naive as to imagine is directed by simple commercial aims) is "aimed at dividing us, weakening us, and eventually subverting as many of us as possible." So there is promise that the U.S. will be in this fight as earnestly as all others to whom freedom of trade is essential for their prosperity and even their survival.

MONEY SUPPLY AND BANKING IN HONGKONG[1]

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The purpose of this article is to examine in the light of existing statistical material some of the main relationships between money, prices and output in Hongkong and to attempt to evaluate the role of banking in the economic life of the community.[2]

Money supply includes cash money (notes and coin) together with bank deposits subject to cheque and, of money supply statistics relating to the amount of notes in circulation in the Colony are published in the Hongkong Government Gazette.[3]

Table 1. Average Monthly Volume of Notes in Circulation

(HK$ million)

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Notes in circulation	675	778	840	808	800	802	802	728	727	732
Index (1947 = 100)	100	115	124	120	119	119	119	108	108	108

Table 2. Annual Total of Cheques Cleared through the Hongkong Clearing House

(HK$ million)

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Value	6,595	8,268	11,006	14,401	18,070	14,344	12,424	13,385	13,965	15,312
Index (1947 = 100)	100	125	169	218	274	217	188	203	212	232

From Table 1 it can be seen that the amount of notes in circulation rose to its highest point in 1949 when it was HK$840 million, that it fell to about HK$800 million in 1950 to 1953 and that it has been maintained subsequently at about HK$730 million.

Table 1 is, however, only of limited value since it refers to the total amount of notes nominally in circulation and as such includes not only notes held by the public but also notes held by banks and persons resident outside the Colony. Prices are affected only by the amount of money spent by the public and when we come to examine the relation between cash money and bank money, output and prices we shall have to bear in mind the fact that the information available concerning notes in circulation, as shown above, is not strictly speaking a suitable measure to take.

Of the other element in money supply, bank deposits, we know nothing although we do have some information relating to the use of bank money, for figures showing the volume of cheques passing through the Hongkong Clearing House are published regularly and are quoted in the Government Gazette.

Table 2 shows that the total value of transactions on the Hongkong Clearing House was greatest in 1951 and that while it has fallen since then it remains more than twice as high as in 1947. From this we may conclude that more use is made of banking facilities today than ten years ago and that almost certainly the volume of deposits has increased.

But the information we have about cheques cleared, like the information we have about notes in circulation, is of limited value for strictly speaking before using this data we should make allowances in respect of the finance of entrepot trade and of speculative transfers since both these factors inflate the clearing figures while of themselves having but little significance with regard to the pattern of money supply in Hongkong.[4] Moreover, there is a further difficulty with regard to entrepot trade, for although a part of entrepot trade is financed through the Clearing, another part is financed between customers of the same bank and would in any event not appear in the Clearing figures—an

1 I was fortunate in being able to discuss an earlier draft of this paper with Edward Szczepanik.

2 cf. G. B. Endacott "The Currency Problem in Early Hongkong" Far Eastern Economic Review, 19th and 26th April 1956, "The Hongkong Mint and the Colony's Currency Problem" Far Eastern Economic Review, 14th and 21st June 1956; E. S. Kirby "Money, Banking and the Stock Exchange in Hongkong" Far Eastern Economic Review, 15th December 1955; E. F. Szczepanik "Financing the Post War Economic Growth of Hongkong" Far Eastern Economic Review, 20th December 1956; and F. H. H. King "The Monetary System of Hongkong".

3 As the amount of coins in circulation in Hongkong is small we may safely regard cash money as being synonymous with notes in circulation.

4 In discounting the influence of entrepot trade as a determinant of money supply I am in no way suggesting that the balance of trade is not an important element to take into consideration.

additional allowance would have to be made for this. Finally, the Clearing figures are after all only indicators of transfers between banks, they tell us nothing about transfers between customers of the same bank and this is especially important in Hongkong since one bank, the Hongkong and Shanghai Banking Corporation, plays a dominant role in the banking set up within the Colony.

While we cannot make allowance for all these factors we can abstract from the Clearing totals the total of entrepot trade in each year and although we are thus conveniently forgetting about that part of entrepot trade not financed through the Clearing, nevertheless, as a first approximation the results recorded in Table 3 probably give a clearer picture of the use of banking facilities within the Colony than do the figures in Table 2.

Table 3. Cheques Cleared through the Hongkong Clearing House corrected for Cheques in Total Annual Entrepot Trade[5]

(HK$ million)

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
1. Total clearing	6,595	8,268	11,006	14,401	18,070	14,344	12,424	13,385	13,965	15,312
2. Total entrepot trade	2,527	3,072	4,756	7,312	8,522	4,854	4,155	4,125	4,379	5,870
3. Balance on clearing	4,068	5,196	6,250	7,089	9,548	9,490	8,269	9,260	9,586	9,442
4. Index of Balance on clearing	100	128	154	174	235	233	203	228	236	232

It would appear from Table 3 that the finance of entrepot trade accounted for something like a half of banking business in 1950 and 1951 and that since then perhaps a third of banking business has been concerned with foreign trade, although of course these proportions are only very rough approximations.

Index numbers of the cost of living in Hongkong are published in the Government Gazette[6] and these are given below.

Table 4. Annual Average of Monthly Cost of Living in Hongkong

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Index	100	99	111	116	127	128	129	126	123	125

It will be seen from Table 4 that there was a remarkable degree of stability in prices as reflected in the cost of living index during the period under review. This was due in part to the existence of a pool of unemployed labour, in part to increased output, in part to the effect of price control on rice and rent, both of which are heavily 'weighted' in the index, and in part to the comparative rigidity in cash money.

There are unfortunately no official statistics relating to the real output of Hongkong although independent estimates have been made by Edward Szczepanik and these are given below, together with estimates of cement production as prepared from data published in the Government Gazette. Cement production has in fact proved a valuable pointer to changes in real output in many other countries and it is interesting that the main changes in cement output in Hongkong should approximate to the changes in output as shown by Szczepanik.

Table 5. Net Domestic Product at Factor Cost in Hongkong at 1947/48 Prices

	1947/48	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55
Index of Total Output	100	109	134	147	141	148	181	208

Table 6. Average Monthly Output of Cement in Hongkong

(in metric tons)

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Cement output	2,852	4,435	4,889	5,673	5,970	5,772	5,315	8,366	9,710	10,060
Index	100	156	171	199	209	202	186	293	340	353

5 Since entrepot trade is equal to total trade less retained imports and exports of local manufactures then if we regard retained imports as being equal to the import surplus plus imports paid for by exports of local manufactures and if too we ignore the profit margins resulting from entrepot trade as well as the "book-keeping" errors resulting from differing import/export valuations it follows that total entrepot trade is obtained by subtracting from total trade the import surplus plus twice the export of local manufactures.

Prior to 1952 exports of local products were not separately listed in the official trade statistics but rough estimates prepared by the H.K. Chamber of Commerce exist for the years 1947 to 1950 and the figure for 1951 has been calculated on the same basis:

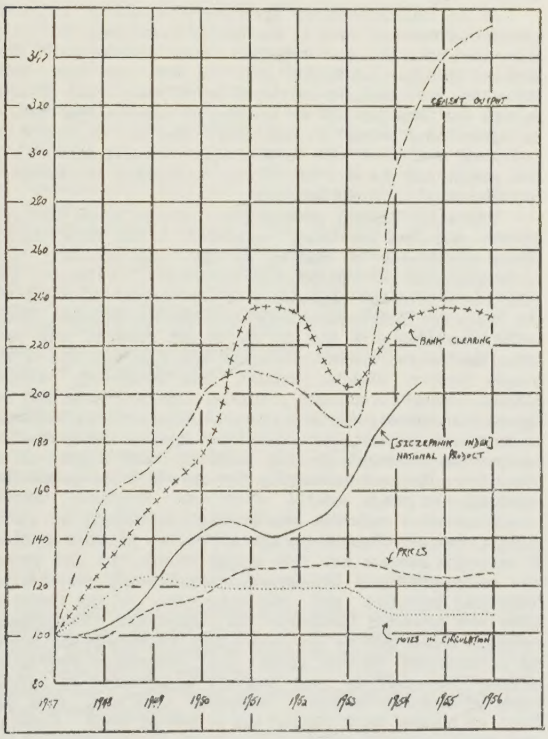
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Exports of H.K. products in HK$ million	52	69	96	101	198	486	635	682	730	783

6 For a discussion of this index see E. F. Szczepanik "The Cost of Living in Hongkong", Hongkong University Press, 1956.

Let us now draw together some of the information we have about currency, domestic cheque clearing, prices (i.e. cost of living) and output. This is done in Table 7 and in the accompanying graph.

Table 7. Index Numbers

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Notes in circulation	100	115	124	120	119	119	119	108	108	108
Cheques cleared	100	128	154	174	235	233	203	228	236	232
Prices	100	99	111	116	127	128	129	126	123	125
Output (cement)	100	156	171	199	209	202	186	293	340	353
National product	100		109	134	147	141	148	181	208	N.A.



From the graph it is not possible to deduce that prices were more closely linked to cash money than to bank money during the period under review, (although I would be more inclined to subscribe to the former view), nor can we draw any firm conclusion about the connection between bank money and output although the close parallel between the movements in cheques cleared and output would seem to suggest that there might well be a connection. Four things, however, we can state with some precision, the first is that the supply of cash nominally in circulation has not fluctuated very greatly over the past ten years, the second is that prices have remained stable during the same period, the third is that more use is made of bank money today than in 1947 and the fourth is that there is no apparent relation between the volume of bank money and the volume of cash money. It is this last point which is perhaps the most striking since it is at complete variance with what one might normally expect of the relation between cash and bank money.

It will be noticed from the graph that the volume of cheques cleared actually increased when the volume of cash money was reduced in 1949 to 1951 and in 1953 to 1954. These changes can be explained most satisfactorily if bank money is unimportant relatively to cash money in the sense that the banks do not have to worry unduly about cash ratios. In other words if the safe rate of cash to deposits is say 20 per cent and the actual cash ratio is 50 per cent then deposits could increase without danger to banking liquidity by simply allowing the cash ratio to fall and in these circumstances there would be no apparent relation between bank money and cash money. It is however true that the phenomena illustrated by our graph might well be explained differently in the sense that it could be argued that a fall in cash money would be accompanied by a normal fall in bank deposits, but that this would not be indicated in the statistics for bank clearing because of an accompanying increase in the velocity of circulation of bank money. Quite clearly if information was available concerning the volume of bank money it would be very easy to judge which of these two explanations would be the most appropriate, but in the absence of such information one can only suspect that the cash ratio argument is probably the more correct for Hongkong although it may very well be that the velocity argument is an important secondary consideration.

If the first interpretation is correct, then it follows that although the relation between cash money and deposits in Hongkong has only been slight during the past ten years, nevertheless, as deposit money increases in importance it must tend more and more to be influenced by changes in cash money as the banks' minimum liquidity position is approached and indeed it is possible that this point was in fact approximately reached on two occasions during the period under review, namely in 1951-52 and again in 1955-56. It will be noticed that the volume of cheques cleared approached a plateau in these years and that the index of cheques cleared was then approximately 130 to 135 (Table 7). There is of course nothing very sacrosanct about the fact that the plateau should be at the same level in the two periods particularly as the volume of notes in circulation was higher in 1951-52 than in 1955-56, but probably what happened was that the volume of cheques cleared was kept a little higher proportionately to cash in the later period by an increase in the banking habit, the secondary element in our argument.

If, as seems likely, the volume of bank deposits is now so high as to approach the bank's minimum liquidity position in terms of local cash requirements[7] then it follows that if the somewhat inflexible cash money situation in Hongkong over the past ten years is any guide to the future then there may well arise a situation in which the supply of bank money is shut off as it approaches the zone of minimum liquidity. In other words, the inflexible cash money position in the Colony places an ultimate limit on the creation

7 This is of course not necessarily the same thing as "minimum liquidity" in terms of sterling reserves.

THE SOCIO-CULTURAL ASPECTS OF ECONOMIC DEVELOPMENT

By Meliton M. Mindoro

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Economic development has its varied aspects. Its basic consideration is properly economic, but the approach to the problem cannot be realistic unless proper recognition is given to its social and cultural implications. To achieve increased production and a rising level of real income per capita, it is not enough that an underdeveloped economy acquire fertilizers, tools, machines, factories, power plants, and the other materials and mechanical adjuncts of modern industry, for besides these, there are a multitude of factors extra-economic in character which are also vitally involved in the problem. Elements in the socio-cultural environment exert profound influence in the development effort, either promoting or impeding progress. Development policies which fail to give proper consideration to these elements will prove ineffective. This paper is intended to show the role which socio-cultural forces play in economic growth.

The Determinants of Total Output

Three basic factors determine the total output of the economy: (1) the available productive resources, (2) the effectiveness of resource utilization, and (3) the social and cultural environment in which economic activity is being undertaken.[1] Efforts to increase output may, therefore, run along lines designed to enlarge productive resources, to increase efficiency of resource use, and to reshape the socio-cultural environment to make this more favorable to economic activity. These three basic factors are not mutually exclusive but are by their nature interrelated.

Where resources are deficient in quantity and quality, real income per capita will remain low despite efficient resource utilization. Under such conditions better results would be gained from the economic effort by increasing the quantity and improving the quality of the productive resources. For example, the output of a sickly and unskilled labor force may be enhanced by proper health and educational measures.

Under-utilization of resources may also account for the sub-normal real income per capital level. It might be that land, capital equipment, and the labor force are not being employed as effectively as these should. Under-utilization of production factors is often due to the lack of entrepreneural and managerial talents. Where these talents are in abundance and properly utilized, resources are made highly productive; new resources are discovered and used to greatly expand the end-product of the economic effort.

In an underdeveloped agricultural economy, improved production methods such as the use of fertilizers, crop rotation, seed selection, and irrigation may increase yield even without bringing additional labor or land into use. Here labor that are nominally employed in the farms may actually be idle for long periods on account of the seasonal nature of agricultural work. Productivity may be increased by providing such labor with supplementary employment. Thus, low output may be due not only to inadequacy of resources, but also to their inefficient use.

The socio-cultural environment within which the productive resources are being employed is the third factor which contributes to making up the total product. This environment is the sum-total of the moral, cultural, and religious beliefs and aspirations of the people which provide the bases for their motivations and behavior patterns. These value standards give rise to the moral, cultural, and religious institutions around which the activities and life of the people revolve. Habits, customs, and traditions; existing attitudes toward work and property; superstitutions and religious convictions; the family organization and the influence it exerts on society; the educational system and prevailing educational philosophies; the political institutions—all of these form the socio-cultural milieu in which the productive resources are put to use.[2]

Economic activities are greatly influenced by socio-cultural forces. People are spurred in the productive effort if economic success not only brings wealth but also power and social prestige. Unhampered opportunity to exercise individual initiative and full enjoyment of the fruits of labor are powerful incentives to enterprise. Conversely, religious tenets held by the people may discourage the laying up of treasures in this world and discourage productive efforts. Superstitions may prevent undertaking of certain types of economic activity. Attitudes that look with disfavor on manual work restrict the output of labor. Customs may frown upon innovations precluding the adoption of improved production methods. These considerations are intangible but are nonetheless real.

It is clear that economic development, i.e., increasing the productivity of the economy, is not a wholly economic phenomenon, but is a complex process bringing into play socio-cultural as well as economic forces simultaneously. Increased and improved use of material resources must be undertaken hand in hand with the remodeling of social and cultural factors that may be obstructing material progress. Interrelated changes must take place in the economy. These include changes in the physical environment: new roads, buildings, machines and tools; changes in the institutions that regulate human activity: the business organizations, banking institutions, government entites, and family organizations and changes in the socio-cultural values of the people: their attitudes, education, skills, customs, traditions, habits of work and ambitions. The material side which is concerned with the promotion of capital investment and

1 Norman S. Buchanan and Howard S. Ellis. 1955. Approaches to economic development. New York: The Twentieth Century Fund. p. 23.

2 Ibid., p. 25.

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of bank money and in the sense that the availability of bank money may very well be an important factor in industrial expansion development may be retarded because of an insufficiency of money to lubricate the economic machine. While I would be the last to suggest that the guardians of our money should be profligate I cannot escape the conclusion that a great deal more thought is required now in monetary matters than has been necessary hitherto for we may be approaching a situation in which it is no longer possible to think of bank lending and the local cash currency position as separate problems.

technology and the human side which is related to education and social readjustment are both equally necessary.

Lessons from Other Countries

That adverse socio-cultural factors may effectively retard economic development has been demonstrated in the experience of other countries. The caste system in India has been shown to be one of the most stubborn barriers to the economic progress of that country. It has "stifled personal ambition," killed "initiative and hindered social and economic changes." It has been a "hindrance to efficient production, to the mobility and efficiency of labor, and to economic expenditure and consumption." [3]

Various social elements in the Latin American countries have also been partly responsible for the slow economic growth in those areas. Among these are the "feudal values and the feudal organization of society inherited from the colonial era" which have stood against political and economic liberalism; the attitudes that give value to land for the cultural and social prestige it affords rather than for its worth as a factor of production; the high esteem for the "gentleman's" life; and the emphasis on "formal learning along classical and traditional lines" and neglect of "pure and applied sciences." The influence of the Church which "has never encouraged and at times, not even accepted . . . scientific speculation and intellectual boldness," and which has strongly stressed the importance of the family, family ties and obligations against the alternative view of the importance of the individual and the fullest development of his talents, interests and personality," is also regarded as a negative factor.[4]

Important as the material aspects of progress are, development process that must take place in the minds of men, in their customs and institutions, are no less vital. People cannot develop their physical environment unless they first develop themselves. The labor force must be trained. Attitudes and work habits must be reshaped, social and political organizations revised to make these conform with the objectives of economic development.

Adverse Socio-Cultural Factors in the Philippines

Like other underdeveloped countries of the world, the Philippines has its own share of the social and cultural elements that are inimical to economic advancement. Social values embodied in attitudes, habits, customs, mores, and traditions have engendered an uneconomic spirit which has slowed down progress.

Attitude toward labor. Our people inherited from the Spanish regime certain characteristic attitudes and traditions some of which have persisted in varying degrees until the present. Preference for the professions and for white-collar jobs, and distaste for productive labor are prominent among them. In the light of western standards, Filipinos have been looked upon as inclined to be "indolent." [5] The "manana habit," putting off until tomorrow things that can be done today, and the "bahala na" attitude indicating a fatalistic outlook, are still very much in evidence. Regarding "professional craze" among Filipinos, one educator wrote:

> To our people, no matter how poor and humble, the desire for a profession—to be a doctor, a lawyer or an engineer—was irresistible. The sons of the poor and middle classes would rather be clerks and employees in the government or commercial firms than be farmers, blacksmiths, carpenters, or plumbers.[6]

It has been said that when a farmer sends his children to school, it is not for the purpose of enabling them to learn farming for if he intends to make his children stick to farming, he sees no need for them to go to school. To him schooling is a means of escape from farming, a preparation for white-collar jobs or for the professions.

The educational system during the Spanish period had much to do with the development of this attitude. Built from top to bottom, that system emphasized professional training and neglected the education of the masses. Only medicine, law and pharmacy were classified among the professions: engineering, teaching and cultural training were not recognized as professions, and professional success was the only success.[7]

Although now undergoing change, these attitudes have helped to create the present situation where "intelligent farmers, well-trained artisans, engineers, and business enterprisers are in short supply; while doctors, lawyers, accountants, and teachers are being turned out by the thousands only to accept positions with low income or accept unemployment." [8] This state of the trained labor force has made it difficult to fill the manpower needs of expanding industry.

Strong family solidarity. In this country both law and custom assign to the family group definite responsibility for providing care and support to the members of the family. The Civil Code makes the following parties responsible for each other's support: the husband and the wife: legitimate ascendants and descendants; parents and acknowledged natural children and the legitimate or illegitimate descendants of the latter; parents and natural children and the legitimate and illegitimate descendants of the latter; and parents and illegitimate children who are not natural. The support here spoken of covers everything necessary for sustenance, dwelling, clothing and medical attendance according to the social position of the family; it also includes the education of the person entitled to be supported until he completes his education or training for some profession, trade or vocation even beyond the age of majority.[9] The obligation to provide support has a "permanent aspect" which relates to the physical needs of the recipient, and a "temporary aspect" which refers to his intellectual development, the former lasting during the lifetime of the recipient, and the latter, during his minority.[10]

It has been estimated that three and a half million families in the Philippines bear the burden of sustaining four million dependent relatives.[11] While this practice probably helps reduce pauperism and suffering among the poorer classes, it also obstructs progress. It leads children already in the productive years to stay idle and continue to depend upon their parents for support. Parents, on the other hand, often retire early knowing that they can fall back upon the resources of their children.[12] The influence of this system induces people to laziness, extravagance, and improvidence. It discourages productive effort among the more enterprising members of the family who realize that

3 Vera Anstey. 1952. The economic development of India. London: Longman's Green and Company. pp. 55 and 476.

4 Buchanan and Ellis, Op. cit., pp. 78-79.

5 Serafin E. Macaraeg. 1948. Introduction to sociology. Manila: University of the Philippines. pp. 52-54.

6 Antonio Isidro. 1949. The Philippine educational system. Manila: Bookman, Inc. p. 16.

7 Ibid., p. 54.

8 Chester L. Hunt et al. 1954. Sociology in the Philippine setting. Manila: Alemar's. p. 396.

9 Articles 290-291.

10 Arturo M. Tolentino. 1953. Commentaries and jurisprudence on the civil code of the Philippines, Vol. 1. Manila: Acme Publishing Company. pp. 568-569.

11 1950. The President's Action Committee on Social Amelioration by U.N. Consultants, Philippine Social Trends (Manila, 1950). p. 34.

12 Macaraeg, Op. cit., p. 88.

the fruits of their toils will be shared by many, sometimes, even by distant relatives.

Strong family ties discourages the making of business decisions by the individual and gives the exercise of this prerogative to the group. Consequently, Filipino-owned enterprises frequently follow the family pattern. Management, labor and capital are furnished by the family, and the business policies and activities are governed by the interests of and on the authority of the family. This discourages individual resourcefulness and daring for the influence of the family group tends to conservatism. Possibilities for raising funds for business expansion are limited.

Emphasis on loyalty to the family is liable to assign, at least in the mind of the individual, greater importance to family loyalty than to loyalty to the nation and its abstract ideals of justice. When this happens, widespread practice of nepotism becomes a natural consequence. Thus both private and public business would suffer definite disadvantages.

These practices are in striking contrast to methods characteristic of western countries, such as encouraging the young to strike out for themselves and carve their own places in the world giving no favored treatment to relatives but running business strictly on the profit and loss proposition. The western methods promote individualism, allow exercise of initiative, and afford unlimited opportunities for utilizing and developing individual talent.

The inheritance system. The system of transmitting property by parents to children where the estate is apportioned equally among the children has contributed to the fragmentation of agricultural land. This custom also finds basis on the law.[13] After several generations of division and redivision, plots become considerably reduced in size. According to the 1948 census 48 per cent of all farms in the Philippines had less than 2 hectares and only 16 per cent had 5 hectares and over. The farms sampled by Rivera and McMillan in a survey which was conducted under the PHILCUSA-MSA Program had an average area of 3.1 hectares.[14] The 1948 census gave 3.5 hectares as the average size of farms.

The small-sized landholdings have been partly responsible for underemployment among the rural population. The activities in his small farm cannot keep the farmer busy through the year so that he is unemployed for extended periods. Rivera and McMillan reported that the farm operator averaged 156 working days during the crop year 1950-1951. With his antiquated farming methods, it is no wonder that the farmer's productivity remains low.

Small farms prevent the use of farm machinery. In cases where a farmer owns several small plots widely separated from each other, there is the added disadvantage of wasted effort spent in moving from one plot to another.

Resistance to innovation. Resistance to innovation which is characteristic of most static societies is a problem connected with the development of rural areas. For centuries the Filipino barrio has been a self-contained, independent economic unit. Various factors have until recently, kept it practically unaffected by progress. While late developments have in some places begun to tear down the walls of conservatism that have surrounded the barrio, progress has been rather slow. The following description of the barrio economy is still largely true today:

> Most of the barrios are located 5 to 15 miles from the poblacion. Many of them are not connected by good roads, and in any event automobiles are rare. During the rainy season the rivers may cut off the trails and the barrio will be completely isolated for long periods of time. The officials in the poblacion are isolated from the barrio both in communication and in basic concern. The roads, schools and other facilities are dependent upon the action of municipal officials. These officials are usually under the influence of the large landowners whose concern with the government facilities is limited to the poblacion and whose principal interest is to maintain order and keep down taxes. This structure makes it difficult, if not impossible, for barrio residents to utilize local government action in solving their problems. Policies sponsored by the national government frequently stop at the poblacion level where officials reside. Only 2 out of 10 government programs seem to be effective in the barrio level.[15]

Although extensive changes are being introduced into the national economy, traditional cultural patterns persist in the rural communities. The average farmer's traditional conservatism remains. To him farming is what he learned from his father before him, and from his own experience. He clings steadfastly to the time-honored methods of selecting seeds, planting, harvesting, storing crop, and treating animal diseases, and he regards with indifference or suspicion new methods brought to his attention. Superstition also exerts a negative influence. The story is told of farmers in a rat-infested locality who would do nothing to destroy the pest that was devouring their crops because the calamity was viewed as a visitation from the Almighty on account of their misdeeds and must be accepted without complaint and in humility. This cultural backwardness has entrenched inefficient practices and hindered progress.

Attitude toward land. In the Philippines today, land remains a symbol of wealth, power and prestige. Land is considered to be one of the most profitable and safest investments.[16] This attitude has been instrumental in channeling much of the available capital into investments on land, which often are speculative in nature. This has reduced interest in enterprises which are directly connected with industrial expansion.

Uncertain rewards for labor. Another factor that has stifled initiative for work is the uncertainty of rewards for labor. This problem is associated with agrarian and industrial reforms designed to guarantee just reward for the efforts of agricultural and industrial workers.

A Socio-Cultural Environment Favorable to Economic Growth

Re-orienting social ideals. The socio-cultural obstacles are difficult to reform as they are rooted in the thinking and habits of millions of people which have been evolved through the long years of the nation's history. Changing a people's ideas as to what things are right and what things are wrong, what things are important and what things are not important, is certainly not a simple task.

A direct approach to the problem is through the usual channels of education. By formal instruction new habits of thought and action helpful to economic progress may be developed. The schools may try to revise the attitudes, tendencies, work habits and traditions discussed above. The community schools are helping achieve this objective, and even go a step further by trying to meet the needs of the community.[17] The 4-H Club Work of the Agricultural Extension Bureau also helps promote this end. The 4-H Clubs are organizations for farm boys and girls offering them opportunity to work together, play together, and de-

13 Article 1085 of the Civil Code is an example.

14 Generoso F. Rivera and Robert T. McMillan. 1952. Rural Philippines. Manila: Mutual Security Administration. p. 116.

15 Chester L. Hunt and et al., Op. cit., pp. 239-240.

16 1950. United States economic survey mission's report. Manila: Philippine Book Company. (a reprint). p. 63.

17 A community school is one which in addition to performing basic academic tasks tries to improve living in the community by including in its curriculum subjects that meet local needs. These schools have sponsored such activities as reforestation, community libraries, dressmaking classes, improved agricultural practices, etc.

velop themselves through a variety of activities in the home, the farm and the community. Making the best of time, talent and energy and teaching the dignity of labor are among its objectives.

Conquering rural resistance. The problem of overcoming rural resistance to innovation may be approached by bringing disturbing influences to bear upon conditions that have debarred progress. If the roots of the restraining factors are cut off, these will die away. There are two elements present in the isolated barrio economies which have opposed change. The first is the absence of alternatives uses for the productive resources. The traditional use of these resources has remained with very little change for generations. For example, in many places these have been employed exclusively for rice production since time immemorial. The second element is the lack of opportunities for developing new needs or wants that might replace old needs or wants. No new products or services are introduced into the narrow world of these secluded communities and the people remain content with their old way of life desiring no change. Consequently, no other ways of utilizing their resources are found and they continue in the state of economic and social stagnation where they have existed for generations.

To release these barrio economies from the static pattern, new wants which will compete with old wants must be introduced, and alternative methods of utilizing their resources should be brought to the attention of their population. The radio and the motion picture have been found to be most effective in disrupting the established methods of living in the rural areas. Judicious use of these tools would bring the desired economic and social changes gradually by creating among the barrio people new wants and opening new possibilities of utilizing their resources.

Activities designed to disrupt the established pattern of living in the barrios could best be carried out by agencies of the government now participating in the state-sponsored functions aimed at promoting development. The various projects now being carried on by the Bureau of Agricultural Extension run along this direction.

The introduction of new methods of resource utilization and the creation of new wants would open additional lines of activity in the barrio economy. This will lead to exchange of goods between persons and between regions, and in the long-run weaken and tear down the socio-economic structure that has withstood progress.

Movement of people from one region to another may also contribute to the accomplishment of designed sociocultural changes. Newcomers bring with them attitudes and work habits different from those that prevail in the locality. They may introduce new ways of utilizing land and new production methods that would replace old techniques. Movement from rural areas to urban regions would also bring similar results. Those migrating to cities will imbibe new ways of thinking, new tastes, and habits. When these people return to their homes in the barrios they are destined to take back with them their newly acquired ideas and become means in undermining the traditional ways of thinking and acting in the barrio communities.

Social Technology for Economic Progress

In the international programs for raising the living standards of underdeveloped countries, there has been a tendency to stress the introduction of modern scientific and technical know-how, the so-called "material technology," and to leave out what we might call the "social technology." [18] It should not be forgotten however that "material technology" could not have advanced as fast as it did and flourish as it does now in the economically advanced countries without the social devices of civil rights, democratic government, free public schools, competitive markets, and so on. Experience has demonstrated that successful prosecution of development programs require the social know-how of public administration, business organization, agricultural extension services, public health services, and others, side by side with knowledge of mechanical and chemical engineering. Existing social institutions must be reshaped or new ones created where necessary to provide instrumentalities for utilizing the social technology for economic progress. A few of the most important among these will be discussed here.

Health measures. The physical qualities of the worker affects his efficiency. A sickly worker cannot be an efficient worker; not only would he lack the energy to do his job, but he would in all probability be wanting in initiative. It is possible that "indolence" attributed by the westerners to the oriental worker may be due to undernourishment and poor health. Development planning must therefore look into the physical well-being of the people.

There is much that needs to be done to improve the health conditions in the country, especially in the rural areas. One survey disclosed that 4,000 physicians are distributed in these areas. The Rivera-McMillan Report included the following facts in its findings:

1. That there are practically no doctors or registered nurses living in barrios with less than 2,500 population, and that people in most barrios receive practically no health services excepting those provided in school health programs; 2. That 96 per cent of births in barrios are attended by someone other than a trained physician; 3. That less than 1/2 of barrio population had received the supposedly compulsory vaccination given free of charge by municipal sanitary inspectors; 4. That the herbolario and hilot constitute the principal health personnel of every barrio studied, and that the trial and error remedies administered by these people have very poor chances of producing favorable results; 5. That 1/5 of barrio residents received water from artesian wells; majority of them were dependent upon surface wells with several rural households using the same well.

Some amount of progress has evidently been achieved by the government in its effort to promote health conditions in rural communities. A progress report rendered by the Joint United States-Philippine Economic Development Program included 800 completely staffed rural health units organized throughout the country, and the digging of 4,558 deep and shallow wells since the start of the water supply improvement project in 1953.

Improved conditions are reflected in the declining death rates in the country as shown in the following table:

Deaths in the Philippines: 1946-1955

Year	Deaths	Death Rate Per Thousand
1946	278,546	15.08
1947	238,527	12.68
1948	243,467	12.71
1949	231,151	11.86
1950	226,505	11.42
1951	237,937	11.80
1952	241,020	11.77
1953	239,988	11.51
1954	217,650	10.28
1955	212,798	9.89

One aspect of the problem which must not be overlooked is that while health measures quickly result in reducing death rates, birth rates remain more or less constant. This would naturally result in a rapid increase of population. Under these conditions economic development will depend

18 Eugene Staley. 1954. The future of underdeveloped countries. New York: Harper and Brothers. p. 211.

upon how the rate of change in population compares to the rate of growth of production. If the former outruns the latter, the hopes for improving the economic conditions in the country will be deemed to disappointment. The alternatives open are either to check population growth, or to accelerate the rate of increase in output to enable this to outstrip increases in population.

Education and training of the labor force. It is not enough that the labor force be healthy and energetic. Industrialization needs workmen with the specialized skills needed to handle the specific jobs involved in its many phases. Technical training should therefore be provided to take their places in industry.

Edwin A. Bock, writing of some administrative experiences of United States voluntary agencies which had been participating in the technical assistance programs of the United Nations, made the following statement on this point:

It is not unusual for less-developed countries to have as many educated professional and administrative leaders as they need, or even a surplus. Between these highly educated persons and the great mass of the population, there is a void which must be filled by semi-skilled workers who can implement and translate into action the plans of the top-level elite. A major limiting factor to carrying out development programs is the lack of such persons possessing middle-range skills. . . .[19]

This seems to be the situation that obtains in the Philippines today. At the bottom is a great mass of untrained and unskilled labor; on the top is a sizeable group of college graduates a large number of whom are equipped with academic training. There is however a dearth of skilled and semi-skilled workers needed for handling the technical jobs in industry.

The present and future manpower needs of the country call for a reshaping of the educational system. Opportunities for obtaining education should be extended to as great a number of the population as possible. It seems advisable to extend the required period of schooling to, say, seven years. Establishment of more technical schools equipped to provide technical training needed in industry is clearly desirable. The need is apparently for increased emphasis on technical education and for training more men along lines which will enable them to handle the practical problems of development. The putting up of more agricultural schools in strategic places to serve as centers for disseminating farming knowledge and technique would help produce better farmers and promote agricultural progress.

Capable labor leadership. Free labor unions have helped immensely in securing to labor rights which until very recently were denied them. These organizations if provided with honest and competent leaders are an indispensable asset in the building of a dynamic economy for they enable the workers to maintain their place as partners with capital in private enterprise.

The fact that the laboring classes are generally composed of men and women with little education make them easy victims of unscrupulous leaders. Often lawyers or doctors who fail to make good in their professions fall back on labor leadership and use these positions in promoting political ambitions or personal profit. While they may ostentatiously work for the interests of labor, they actually become the exploiters of this frequently underprivileged class.

The development of capable leadership for labor is a worthy objective. Leaders who have organizing ability, proper understanding of the relation between productivity and high wages, skills essential for successful collective bargaining, and who are imbued with an honest purpose to work for the interests of labor can do much for the promotion of free labor unions.

Management personnel. Vigorous growth of private business enterprise is essential to a democratic economic growth. The government must provide the framework for development—over-all planning, coordination, guidance and social overhead capital, but private enterprise must construct the structure on this framework. It must undertake the productive operations. To properly fill its role, private enterprise must be provided with managerial tools.

It has been said that the "proficient Filipino business managers are the exception rather than the rule," and that "the practice of professional management is not yet prevalent in our society." The reasons that have been given for this situation are: the inadequacy of the basic educational system; the prevalence of certain thought and behavior patterns reflecting Philippine customs, philosophy, social and educational backgrounds which are inconsistent with modern business methods; the lack of opportunity for on-the-job training; and the lack of technical knowledge frequently essential as a stepping stone to managerial positions.

It is admittedly difficult to persuade a Filipino owning some capital to invest his money in enterprises managed by other people. He would rather invest his money in an enterprise with which he is familiar and which he can manage himself, and in case ownership and management of the undertaking is expanded, this would not extend beyond the members of his family or the circle of a few immediate relatives. He is generally reluctant to delegate authority over the use of his capital to other people.

This attitude may have also obstructed the development of managerial ability of the people gifted with this talent who, for lack of opportunities for doing managerial jobs, have not exercised their talent which have consequently gone to waste. The dearth of qualified management personnel is a significant problem, and whatever attention and effort are given to solving it would yield rich dividends.

An efficient public administration. The numerous and enlarged functions that it has assumed in connection with the development effort has greatly increased the importance of the government's role in the life of the country. It has to administer expanded health programs, agricultural extension work, road building programs, irrigation facilities, power projects, government-owned industrial enterprises, and other similar projects. This fact makes it imperative that public administration be highly efficient and honest, for inefficiency and corruption in the government are disastrous. These not only prevent the realization of program objectives but also bring demoralizing effects on the public.

When public funds are misused or otherwise dissipated in worthless expenditures, taxpayers are loath to pay taxes. When laws and regulations are believed unjust, these are disregarded or ways and means are sought to circumvent them. Partiality in enforcement of rules produces resentment. And when the population refuse to cooperate with a government because it does not command their confidence, that government is unable to fill its constructive role in development.

The will to develop. There is an "intangible something" which has spurred the development process in the various countries that have achieved and are now achieving industrialization. This force has provided the motivation that has enabled static economies to surmount the difficulties that stand on the way to their transformation into dynamic economies.

In the western nations a decentralized will expressed in the initiative of private enterprise provided the will to develop. In Japan the Samurai-bureaucrats who led the

[19] Edwin A. Bock. 1954. Fifty years of technical assistance. Chicago: Public Administration Clearing House. p. 16.

Japanese modernization were prompted not by any desire for the welfare of the people, but by the determination to acquire military and economic strength that would enable their nation to escape domination of the European powers. Similarly, Mustapha Kemal Ataturk and his leaders who directed the industrialization of Turkey were more concerned in making their country strong in the face of possible aggression from Russia, than with the welfare of the peasants.

The will to develop was furnished in Russia by the Party which formulated the development blueprint. To gain the cooperation of the people, the Party used threats and compulsion together with persuasion to gain the cooperation of the people.

The will to develop is generated by the desire of the people for something, a desire strong enough to make them willing even to revise their accustomed ways of living and to work hard enough to get the new system started. In some cases it may stem from the desire of the leaders to attain national strength and independence, or from a combination of the two. To achieve development, a people must be possessed not only with the desire for better things but also with the willingness to undergo the difficulties and sacrifices involved in acquiring these things. A sense of civic responsibility, honesty and integrity in public office, straightforwardness in business dealings are essentials to development.

Capital Formation is a Social Process

In concluding his work on capital formation, Ragnar Nurkse made the following statement:

> We have reached a field of sociological rather than economic consideration . . . . the advancement of the backward countries is far more than an economic problem.[20]

Capital formation is indeed a social process. There are social forces present in the underdeveloped economy which tend to block this process. Some habits and customs have to be changed, some attitudes altered, and some institutions must be created in order to generate an increased rate of capital formation.

Saving is rendered difficult by some practices common in the country today. A large number of people endeavor to economize in their living expenses and lay up a portion of their income, but these savings are not intended for investment in income-producing enterprises. These are instead, reserved to take care of expenses for "special" events that come during the year.

The annual "fiesta," a marriage, or a baptism will carry away all that the family has saved. Elaborate preparations are usually made for these events where an abundance of fancy food and drinks constitute a large item of expenditure. Outlay for clothes and jewelry that are worn during these occasions is also substantial. It is not uncommon to see people go into debt because of the expenses incurred in this manner.

A large portion of the available surplus goes to the hands of a narrow segment of the population which make up the high income group. Much of these sums are not channeled to development investments but are expended in luxurious living. To tap these funds for productive purposes, a saving and enterprising spirit must be awakened among the recipients of large income. An attitude akin to that of the Puritans in England when industrial revolution was underway which looked upon waste and idleness as wrong and the using of wealth to produce more wealth as obligatory, would boost capital formation.

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20 Ragnar Nurkse. 1953. Problems of capital formation in underdeveloped countries. New York: Oxford University Press. p. 157.

Duesenberry's "demonstration effects" is another potent force which must be reckoned with. The exposure of the country to the influence of western civilization for a little over half a century now has created in many of the people (especially among the urban population) taste for western products. The attraction of living in the western standard has proven irresistible to many. With the people continually wooed by the colorful display of clothes, jewelry, furniture, refrigerators, radio sets, television sets, etc., and by the endless chanting of the merits of these goods in the papers, the radio and the television "commercials," the nation fights an uphill battle for capital formation.

Any suggestion on how to counteract the "demonstration effects" of western living standards would doubtless be welcome in the face of the shortage of development capital. Seclusion from foreign influences which was used effectively by Japan and Russia when these countries were in the throes of their economic growth is unthinkable in the case of the Philippines today.

The people's savings cannot be effectively channeled to investment unless the problem of hoarding is solved. This will require selling to the public the idea of keeping their money in financial institutions, a task that will be a long and arduous one. The practice of keeping savings at home in coconut shells, inside the pillows, in bamboo posts, and in "bauls", must be eliminated. It will also be necessary to establish more of the financial organizations that channel savings to investment—savings, commercial, agricultural and industrial banks, insurance companies, and security markets—and to put these organizations within the easy reach of the people.

Conclusion

The foregoing discussion confirms the proposition presented at the beginning of this paper: that economic development transcends the boundaries of economics and that in addition to purely economic factors which constitute the basic consideration, socio-cultural elements also profoundly affect development. Economic planning must therefore consider the former and not overlook the latter.

It is also worthwhile to extend our view to the effects that economic development may bring to the nation. It is possible that the productive capacity of the economy may be expanded substantially without sharing the fruits of increased production among a large majority of the people, and thus bring no improvement on their living conditions. The distribution of the fruits of economic progress among the population is of far-reaching significance. That the present highly inequitable sharing of the national wealth has contributed greatly to the many economic and social ills in the country is a fact that is well understood. For instance, the communist-inspired dissident movement which in recent years posed a serious menace to the security of the established political system was nurtured and strengthened in the widespread unrest and dissatisfaction which had sprung from the extreme poverty of the peasant and laboring classes who saw no possibility of improving their lot in the existing set-up. It would not be possible to measure the amount of human talent and material wealth that have been lost to the country on account of the lack of opportunities for development among the underprivileged classes.

While increased productivity is essential, it is not enough. The situation would not be improved if the increased income from modernized farming and new factories finds its way into the hands of a few capitalists while the living conditions of the masses remain the same. It would be tragic indeed if the development effort results in nothing more than further widening the gap between the poor and the affluent of our economy.

In the final analysis the results of development must be appraised on the basis of their effects on human beings. The economic, social, and political changes that may come with economic progress should be appraised in the light of making available to the people certain basic wants which embody the social values essential in building up the "dignity of man."

THE "BANDUNG SPIRIT"

Communists are past masters in the art of grabbing other people's good ideas and claiming them as their own. The technique follows a pattern: a new idea appears in the free world; it is ignored or abused in the USSR—until it proves practical and worthwhile; and then Pravda suddenly discovers that it was invented by a Russian after all! The latest subject of this exercise in plagiarism is the "Bandung Spirit", for which Communists have been long trying to obtain proprietary rights. The Bandung Conference of 1955 was sponsored by the non-Communist Colombo Powers—Burma, Ceylon, India, Indonesia and Pakistan. It was a year in preparation; during this time the Soviet Union realised that the idea of Afro-Asian "togetherness" would be a good thing to exploit and a bad thing to be left out of. A few weeks before Bandung, therefore, Communists sponsored an "Asian Conference for the Relaxation of International Tension", in Delhi. This masqueraded as a preparatory meeting or the Bandung Conference; the deception failed, the USSR made itself very unpopular in Asia, and the conference was not a great success from the Communist viewpoint. However, the Delhi conference produced one fruitful result for the Communist cause: the formation of the "Asian Solidarity Movement" and later the establishment of Committees in 38 Afro-Asian countries. These Committees are the successors of the old Communist-sponsored "Peace" committees. They contain members of parliament, writers, professors, intellectuals, etc—many of them non-Communists. The movement, nevertheless, is under discreet Communist control.

Since the Bandung Conference this front organisation (in 1956 renamed the Afro-Asian Solidarity Movement) has been trying feverishly to claim the credit for the "Bandung Spirit"—i.e. the mood of healthy independence and forward-looking nationalism which was the result of that Conference. They have also been trying to organise another conference on similar lines—but ensuring that this time the whole thing goes their way. The latest attempt came off during last December, when the Afro-Asian Solidarity Conference was held in Cairo. Invitations were sent to all the countries represented at Bandung, and also to Morocco, Algeria, Tunisia, Libya, Liberia, Ghana, Uganda, Somaliland, Nigeria, Thailand and Malaya. The preparatory committee elected the Egyptian Anwar As Sadat as Chairman. A comparison of the two meetings is interesting. At Bandung, the countries were represented by their leading statesmen—Prime Ministers and Foreign Ministers; at Cairo however the delegates "represent the people". What this means is that most of them have come from the Communist-approved

EMPIRICAL APPROACH TO MECHANIZATION IN CHINA

In the course of his remarkable treatise on the problem of Farm Mechanization in China the Chairman of the State Technological Commission, Huang Ching, called for a new view on the problem of agricultural population and agricultural mechanization. The key problem at present is the uneven work over the year. For this reason farm machines should be employed in the busy periods and side-line occupations be increased during the slack periods. In this way rural production can be boosted most rapidly. When an APC is well run, even more labour will be needed to be invested in per mou land, in the change from one crop to multiple crops, from dry fields to irrigated fields, the application of manures, the work of drainage and irrigation, the improvement of soil, intensive farming and fine work, the control of posts and calamities and the development of sidelines of occupation. Machines are therefore urgently required to relieve farmhands for skilful work which machines cannot do. In this sense machines are complementary to human labour.

Farm machines should be designed and utilised according to the characteristics of agricultural production. The topographical patterns of land differ; there are watered fields and dry fields, plains, hilly lands, wastelands, swampy lands and salted lands. Nor is the nature of the soil the same. There are horizontal farming, plantation over barrows, parallel plantation of two crops, or of three crops, plantation over checkered lands, the application of manures to holes or to furrows. As to intensive farming and fine work and the diversification of undertakings, there is a good tradition in Chinese agriculture. Crops range from the tropical to the temperate ones, diverse in kinds.

As to resources of power, China lacks petroleum. The farm animals are too old or too young. China's agricultural economy is characterised by cheap labour, cheap products, poor capital accumulation, expensive steel, iron, and machines. Thus the peasants have only limited purchasing power to buy machines, and they lack experience of them.

Farm mechanization should be based on China's original agricultural technique. The process should be gradual, for the new equipment is incompatible with the original arts of production. The use of water pumps is incompatible with the wells dug in the old way. Such wells are shallow and pumping work can last only several days. Besides, each old type well has many mouths occupying too much land and dividing the land into pieces which are inconvenient to the use of tractors. In co-ordination with the use of the new type power machines, water pumps must be installed and water wheels are of no use. Thus farm machines should be introduced on the basis of the original agricultural technique and improved gradually. Machines should be complementary to draught animals in use and new type farm implements should be integrated with the old-type ones.

The peasants during recent years have gained many experiences from using the new type implements. For instance, the ten-line sowing machine may be equipped with a sickle to cut grass as a means of middle ploughing and also with an apparatus to keep up the earth. The double-bladed ploughs, sowing machines, grass-collecting machines and other large-scale farm implements driven by draught animals may be changed into tractors so that both the machines and the animals may be used simultaneously. When designing the farm machines, all these points should be taken into consideration. The designers must go to the rural areas and in co-operation with the agriculturists and old peasants sum up the peasants' advanced experiences. The different kinds of machines and equipment should suit the characteristics of China's agriculture. The method of rigidly applying foreign machines to the Chinese farms is bound to fail. In the past the APCc in some places often cut the feet into a shape to fit the shoes, adapting the advanced farming methods to the farm implements, not adapting the farm implements to the advanced farming method. Reduced production gave the farmer and the cadres a lesson.

Another stipulation laid down is that China should act according to the circumstances and select talent among the local people. The local supply of resources should determine the source of power for the machines: water where there is water flow, steam where it can be used, or wind used where it may be harnessed to the machines. In the South and South-West there is abundant water flow, in the North, in South Kiangsu and the seaboard provinces windmills may be built. In Szechuan province there is natural gas, and in Kansu, Chinghai, and Sinkiang, heavy oil and unused gas from the oil refineries. In the broad regions with coalfields coal or semi-coke may be used. Only the solid, not fluid, fuel should be taken as the principal source of fuel for farm machines. Moreover the power machines should be adapted to the kind of fuel which can be supplied locally. Gas engines and steam engines should be adapted to the nature of the coal in use. Local fuels, such as corn straw, grass and the like should be used in the development of the chemical industry.

The capacity of power machines should vary with the circumstances. The wheeled or hand-assisted tractors used in the irrigated paddyfields in the south should be light, ingenious, and convenient, and their horse power should be small. In the North-east and North-west there are many large tracts of reclaimable lands and wasteland and the string-type tractors with a big power capacity are necessary. In the North what is principally needed are machines with a medium-sized power capacity. The function and development of the farm machines should be adapted to natural conditions and the requirements of farm work. Tractors used in the irrigated fields in the south should be

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"Solidarity" committees; what it implies is that Mr. Nehru and UNu did not "represent the people" at Bandung.

The biassed nature of the Cairo conference was seen from the agenda. Only two of the eight items related to Afro-Asian solidarity; the rest dealt with such subjects as the "anti-imperialist" struggle, the Algerian "war" and the banning of nuclear tests. The Soviet countries did still not get it all their own way at Cairo. Egypt has been taking a particular interest in the conference; President Nasser offered to pay travelling expenses and living allowances to the delegates—a costly business. This was not pure philanthropy: Nasser wanted to use the conference as a vehicle for his own propaganda, and against his competitors for leadership of the Arab world. On the other hand it is not for nothing that the USSR formed a large and active branch of the Afro-Asian Solidarity Committee and sent an important delegation to Cairo. Only by right of conquest can the USSR represent itself as an Asian power; the smaller nations at the conference did not dare to raise the question of the exploited and intimidated Asian subjects of the Soviet empire.

able to tackle the problem of slipping over the way, fall in the mud, and abrasion. For the irrigated fields and the regions where the two crops of cotton and wheat are raised, it is necessary to solve the problem of the principal type of machines used to extend multiple cropping, particularly harvesters, shoot-planting machines and transplanting machines.

For the North-eastern regions a set of machines should be designed suiting the characteristics of plantation over barrows and the need to solve the problem of harvests during the rainy season. For the North-West machines suiting cotton production, especially cotton harvesters, are necessary. In the plains of North China for dry crops, China needs to build small power machines which may be used to pump water and to irrigate. Everything possible should be done to make the farm machines adaptable to general uses. In the past most of the tractors imported were made after foreign models and the farm implements were for special uses and few for general uses. The cotton sowing machines can sow cotton seeds only; the harvesters with handles can reap wheat only; the thrashing machines for cereals can separate wheat or beans from the stalks only, and the same is true of the thrashing machines for corn. Most tractors cannot be applied to plough between the lines of a crop, because the height of their base and the distance between their two wheels are fixed. The tractors with tyres, if not replaced with iron wheels, cannot be used in both dry lands and watered lands. Thus their adaptation to different uses is poor. As each kind of work needs another kind of machine, different kinds of equipment have to be prepared and the rate of utilisation of these machines is very low. Shantung peasants are critical of tractors, saying: "The ironclad oxen are not as good as our living oxen. The ironclad oxen can till lands only. But our oxen can do every kind of work."

The new machines must also be convenient and reliable in use and cheap. Those which were made in China before were inferior and sometimes fell to pieces at a critical time when they were most needed. The repair shops are rare and distant, the peasants are seldom mechanics and therefore the new machines cannot be too complex nor too fragile in structure. The peasants cannot afford to buy expensive goods and therefore the machines must be cheap. The annual savings of a peasant average about four yuan. If half the savings or two yuan is used to buy the farm equipment, the expense on the farm machines would total about 1,000 million yuan a year. Though the total is big the amount each APC spends on such machines is small. For this reason the design of farm machines and the policy of price should take heed of the rural economic conditions and the products should be charged at so low a price that the peasants will be able to afford to buy them.

The development and extension of five kinds of machines are recommended: (1) Tractors using solid fuel and power machines for the rural areas. While large and medium-sized tractors should be continually developed for dry crops of the plains and large tracts of lands, more attention should be paid to small tractors over small tracts of land, hilly fields and paddy fields. Coal should be used wherever possible to save petrol. Gas machines and boiler machines are needed. (2) Machines for irrigation and drainage; (3) Machines for field work or for the application of manures and the sprayers of insecticides; (4) Subsidiary lines of business and processing machines; (5) Machines for rural transportation. A box should be designed for tractors to hold freight, and attention given to the development of gas autos suitable for rural areas. It will not be easy to solve these problems and much work will be needed in investigation, research and experiment in what is a long-term task. A wide range of matters is involved. Accordingly it is suggested that the Central Government organise a special group to improve the leadership of this kind of work. These recommendations emanate from a technologist who confesses to only a modest knowledge of conditions in the rural areas. But it represents an empirical approach to the whole problem of immense value to the orientation of practical policy and will no doubt be given intensive consideration.

REPORTS FROM CHINA

Anti-Waste Campaign—Peking has decided to wind up, by the end of this month, discussion of the assigning of government functionaries to take part in physical labour in the countryside or in organisations at basic levels, and the disposition of the rightists. In February and March, the current rectification drive will deal with the problem of eliminating waste and other matters such as organisational changes and improvements in various regulations and systems, retrenchment of staff and re-organisation. In April, every government functionary will be required to examine his thinking. Peking anticipates that a general discussion on eliminating waste would be a socialist education for government functionaries and would help them to understand the principles of diligence and frugality, and the need to produce more, faster, better and more economically.

Workers' Average Wage—Peking reported that during the first five-year period, the average of the worker, originally scheduled to rise by 33%, rose by 42.8%. The average annual wage for each worker in 1957 was 636 dollars; the monthly wage average was 53 dollars. During the first five-year plan, various welfare funds spent by the enterprises and government offices amounted to 9,600 million yuan, equivalent to 19.2% of the total wage payroll. If added to the state expenditures for culture and education and other social welfare enjoyed by the workers, this is equivalent to more than 25% of the total payroll.

Agricultural Output—According to figures released at the recent agricultural conference in Peking, China's total grain output in the past 5 years reached 859.6 million tons. The Minister of Agriculture however declared that total grain output in the past five years exceeded 900 million tons. Other achievements claimed were: total ginned cotton output reached 6.84 million tons; average annual output of tobacco exceeded that of 1952 by 30%; average annual output of peanuts exceeded that of 1952 by 21%; average annual output of sugar cane exceeded that of 1952 by 20.8%; and the average annual output of sugar beet by 172%. The Minister nevertheless admitted that insufficient attention to the over-all development of agriculture had resulted in the failure to meet the planned targets for some industrial crops including hemp, silkworm cocoons and rapeseed, and for cattle, horses and some other animals.

Chemical Industry—Three chemical fertiliser plants are scheduled to be started this year in Kwangtung and Kiangsi. They comprise a nitrogenous fertiliser plant in Canton, a phosphate fertiliser plant in Chenkiang (Tsamkong), and a nitro-lime factory in Kiangsi. The two plants in Kwangtung, to start operation by 1961, will have an annual capa-

city of 200,000 tons of fertiliser each. The plant in Kiangsi will be put into partial operation in 1959, producing 20,000 tons of calcium carbide and 20,000 tons of nitrolime annually. According to Peking statistics, China now has a total of 112 million hectares of cultivated farmland while the total output of chemical fertiliser last year was 700,000 tons. An official of the Ministry of Chemical Industry boasted that China's chemical fertiliser output in the second five-year plan will be seven to ten times more than in the first five-year plan. In addition to fertiliser, production of other chemicals will be increased: output of sulphuric acid five times higher; tyres, caustic soda and soda two to three times; plastics 15 times; and penicillin and sulphur drugs 11 times. The production of synthetic fibre and rubber which started only recently will reach tens of thousands of tons.

Machine Tools—China's machine tool industry can now supply nine-tenths of the country's needs in metal-cutting machine tools, a spokesman of the Ministry of Machine Building claimed recently. Total output of machine tools in 1957 amounted to more than 25,000, or nearly double the 1957 target originally set under the first five-year plan. 250 types of universal, automatic, semi-automatic and precision metal-cutting machine tools not produced before 1953 were turned out in the period of the five-year plan. These new products include heavy-duty planers, single-spindle bar automatic lathes, transfer machine, precision surface, grinding machines, automatic centerless internal grinding machines, multi-tool, semi-automatic lathes and universal tool grinders. Among products successfully trial produced in the period of the first five-year plan were semi-automatic gear shapers, bearing ball grinding machines, high-speed hydraulic lathes, horizontal boring machines and single-purpose machine tools for locomotive manufacturing and the metallurgical industry.

The Shenyang No. 1 Machine Tool Plant produces mainly lathes. Machine tool plants in Shanghai and other cities supply precision machine tools and single-purpose machine tools. The heavy machine tool plant in Wuhan will soon supply various types of heavy-duty machine tools for heavy machinery plants. The Harbin measuring instruments and cutting tools plant supplies several hundred kinds of precision measuring instruments and cutting tools of various specifications. A measuring instruments and cutting tools plant, with the same capacity as the Harbin Plant, is almost completed in Chengtu. An up-to-date grinding wheel factory is now under construction in Chengchow; when completed, it will produce abrasive materials of the machine-building and other industries.

Oil Industry—Peking announced that work will be completed this year on China's first oil pipe line, 150 kilometres long, from the Karamai oilfield to the Tushantzu refinery in Northern Sinkiang. The oil refinery will be expanded to handle more crude oil. China's crude oil production capacity increased by 127,000 tons and crude oil refining capacity by 410,000 tons as a result of the new oil wells drilled and refineries expanded in 1957.

Paper Output—China's machine-made paper output reached 890,000 tons in 1957, 19.3% above the previous year, according to the Ministry of Light Industry which further claimed that it is expected to go up to 1.04 million tons in 1958. Last year alone, new paper mills and workshops added to the industry had a combined capacity of over 160,000 tons. The most important of the new or extended projects are the two mills in Kiamusze and Canton, each with a capacity of 50,000 tons annually. The plant in Kiamusze (Kirin) was built with Soviet help and mainly produces paper for industrial use. The Canton mill, making newsprint, was entirely Chinese built and equipped.

New Establishments—A meat-packing plant handling 1,500-2,000 hogs a day went into operation in Hangchow last month. A factory making photographic film began partial operation in Tientsin in mid-January. It is expected to produce 2.4 million square metres of film this year. Until now China relied almost exclusively on imports for photographic and X-Ray film. In Canton, a fruit and vegetable canning factory now under construction will go into operation this year; it will turn out 20,000 tons of canned goods annually. A sugar refinery capable of handling 2,000 tons of sugar cane daily is also under construction in Canton. Other factories under construction in Canton are: the Canton section of the No. 1 Kwangtung Iron and Steel

TEXTILE WAR IN JAPAN

Toyo Rayon Co. began producing nylon almost as far back as Du Pont. The Japanese firm's technical tieup with Du Pont was made in order to enter the world market. Meanwhile Kurashiki Rayon, after operating in the red for many years, succeeded in perfecting its vinylon. And thus Japan is being caught in the meshes of a textile war of major proportion. It pits the nylons against the vinylons. A chic blouse, or sheer stockings, even a suit, may be one of those luxurious nylon affairs. But students probably wear a school uniform made of durable vinylon. The fatigues donned by workmen also are usually of vinylon. The subject of chemical or synthetic fibers seems strictly for the textbooks, but this is not so in the case of nylon and vinylon in Japan. They say in Japan there are two types of success. One is the man of opportunity and enterprise, who sees a good thing and capitalizes on it. The other is the inventive genius. It is not easy to become a man of opportunity. He must have the background and training to recognize what he sees.

. When Toyo Rayon, one of Japan's foremost chemical fiber producers, saw how nylon products entranced the women of Japan, it turned over all facilities and resources toward the manufacture of nylon in Japan. It has only been in the past few years that the Japanese have come to realize that all the nylon products now sold in Japan are Japan-made. So tremendous has been the reception accorded to nylon that Toyo Rayon was able to realize a profit of over Y4-billion, making it the biggest money-maker in Japan in 1956.

Vinylon had a less spectacular start. Discovered in Japan by Soichiro Ohara, it was taken up by the Kurashiki Rayon company. As in the case of many discoveries of inventive genius, vinylon had rough going before it was finally recognized as a new chemical fiber of still undeveloped great possibilities. Perhaps the principal reason why vinylon has not met with the success enjoyed by nylon was the fact that it was a product of Japan. Thus it was not accompanied by the fanfare and publicity which featured the advent of nylon. Time is required for such items to gain public trust. As a result, the Kurashiki Rayon company operated in the red for many years. The makers of vinylon, however, never gave up hope in their product. After a long period of struggle and discouraging returns, vinylon at last attained recognition for its true worth. In 1956, sales of vinylon products went Y300-million into the right side of the ledger. Japan-made vinylon had finally come into its own.

Nylon was discovered and industrialized in the U.S., but today such advanced nations of Europe as England, Germany and France are also engaged in turning out huge quantities of nylon. It has become a truly international textile. It was up to Toyo Rayon to put Japan in the same class, effecting a technical tieup with the U.S. founders. In contrast, vinylon is a peculiar product of Japan, founded and industrialized by Japanese techniques. It is a national textile, so to speak. Although Toyo Rayon's role in bringing nylon to Japan and cutting down imports from the U.S. cannot be belittled, Kurashiki Rayon must be given full credit for developing a national textile which promises to develop in the same manner as international nylon. The Japanese people may well consider it their duty to see that this is done.

While it had its start as a luxury item to take the place of silk, nylon has gradually branched out into more practical lines. But vinylon is heading in the opposite direction, starting out as a substitute for cotton, now turning to dressy items. A fierce rivalry is in the offing.

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Up to World War II, Japan had been meeting the dream of women all over the world—to have lovely legs. For use in sheer hosiery, Japan had been shipping 30,000 to 40,000 tons of raw silk abroad annually. With the proceeds, she purchased food to meet domestic shortages. It was a neat arrangement. The advent of nylon, however, changed that. From that time on, silk exports dropped until by 1947, they had fallen to only 0.1 ton per year. Silk was being shut out completely.

DuPont technicians discovered nylon in 1931. In 1938, nylon was introduced to the world as a new "miracle fiber," made of coal, water and air, finer than the threads of a spider's web, more beautiful than silk, and stronger than steel. The Japanese textile manufacturers who had depended so greatly on the American market did not sit idly back and watch the advance of nylon without trying to do something about it. About this time Toyo Rayon, which was then the rayon department of the Mitsui Bussan firm,

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Combined Works, an insecticide plant, cotton bleaching and dyeing factory, and a glass factory.

Natural Resources—According to a Peking report, more than 27,000 ounces of gold will be mined this year in Liaoning and Heilungkiang. In Liaoning, three gold ore refineries are scheduled to be built. Gold ore deposits in the province are estimated at 3.4 million tons. With the richest gold reserves in China, Heilungkiang Provincial Government has decided to expand its four existing gold mines and restore another seven to produce a total of 14,000 ounces of gold this year. In Chinghai, gold mining will be resumed with the production target set at 4,500 ounces of gold for 1958. During the first five-year plan period, more than 100 oil-bearing structures were found in Sinkiang; the Karamai Oilfield is one of the most important discoveries. Geological prospectors in Chinghai located nine oil-bearing structures last year in the Tsaidam Basin and adjacent areas. Five other oil-bearing structures were discovered on the northern slope of the Kunlun Mountains; one of them covers 700 square kilometres.

Peking's Geological Bureau claimed that China has the world's richest potential reserves of tungsten, molybdenum, tin and antimony ore deposits. Potential reserves of coal are now estimated at one million million tons. This would place China as the nation with the third greatest coal potential in the world, said the Bureau. Potential reserves of iron ore deposits amount to 12,000 million tons, the second largest in Asia and seventh in the world.

Actual workable iron ore deposits of 4,400 million tons and known coal deposits of 32,500 million tons have been located in the past five years, according to the preliminary statistics. These deposits would last at least for one century at an annual extraction rate of 220 million tons of coal and at more than 13 million tons of pig iron, according to Peking's estimate.

China's coal output this year, according to the Director of Coal Industry, will amount to more than 150 million tons, 16.1% more than 1957. Work will begin this year on 133 new coal pits which will eventually add 29 million tons to the industry's production capacity. Coal pits with a total production capacity of more than 24 million tons annually are expected to go into operation this year.

had its New York office obtain samples of nylon thread. With these samples, the research section of the company under Dr. Kohei Hoshino was ordered to put its efforts into the study of nylon, vinylon, polyethylene and other new chemical fiber materials. The findings showed that nylon had the greatest possibilities of becoming a textile of international value. The order was sent out to concentrate on nylon. The research staff literally took the nylon stockings apart. After untiring efforts, they finally succeeded in analyzing the components and methods of nylon thread making. By 1939, the first nylon thread was produced in Japan.

Toyo Rayon thus started the manufacture of nylon known as "Nylon 6" under the trade mark "Amilan." The process was industrialized in 1942 but World War II halted further progress. It was not until 1950 that Toyo Rayon again was able to pick up where it had left off. A delicate problem rose when the DuPont interests protested through Allied General Headquarters over patent rights. After detailed explanation, the issue was settled when the DuPont company recognized the fact that the Toyo Rayon method of nylon manufacture was unique and different. But it was also a fact that the context of DuPont's "Nylon 66" and Toyo Rayon's "Nylon 6" was the same. The principal difference was that Toyo Rayon's nylon, while having a lower heat resistance, was superior for dyeing purposes, making it ideal for clothing wear.

Although the Japanese company had in this manner set up its own unique nylon manufacturing method, it realized that in order to effect mass production and to make greater exports possible, it would be wiser to incorporate the DuPont method as well. For this reason, the company sought a technical tieup with DuPont, an event which was realized in 1951. Under the arrangement, Toyo Rayon is to pay for a period of fifteen years an average of 2.5 per cent of its total sales to the DuPont company. At the present rate, this should come up to about Y6-billion in all. Furthermore, a payment in advance of $3-million (Y1,800-million) was made. The significance of the great step taken by Toyo Rayon can be seen in the fact that at the time, its capital in whole amounted to only Y750-million. In response to a question about the necessity of putting out so much money when nylon can be manufactured in Japan without such a step, the Toyo Rayon officials point out that American patents cover both manufacturing methods and products. Without the DuPont technical tieup, Japan would not be able to export nylon goods, an event which would deprive nylon of its international character. It must also be remembered that DuPont is the world's greatest nylon manufacturer. Its techniques are improving all the time. It would be extremely difficult to keep up without infringing on patent rights. Despite the fact that the technical tieup has not involved the exchange of personnel, the Toyo Rayon company claims that its method has been greatly facilitated. Not to be ignored, furthermore, is the acquirement of international trust in Toyo Rayon products as a result of the affiliation, which has already brought about a notable increase in exports. Toyo Rayon exported in 1956 a sum of Y6-billion in nylon products. By paying for the technical tieup with DuPont, the company has realized a tremendous profit. Even more important, it has prevented the outflow of an even greater amount of valuable foreign exchange for nylon imports.

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Japan is a country which has had to import much of her raw materials for clothing. In 1953, for example, she spent $370-million for raw cotton and another $210-million for wool. This comprised a goodly portion of the $2,400-million spent for all imports, a matter of 25 per cent. Even discounting exports of finished cotton and wool products, there was still an unfavorable balance of $370-million in wool and cotton alone. Although imports of wool and cotton have been reduced somewhat over the past few years, the unfavorable balance still remains. Thus, any step leading to a reduction of the balance is one to be welcomed. In this respect, the emergence of vinylon assumes high importance.

The principal ingredients for the making of vinylon are limestone and electric power. Japan is rich in both. And unlike nylon, Japanese technique has no dependence on foreign aid. It is a pure domestic product, made of Japanese materials and by Japanese techniques. It is Japan's own chemical fiber. Vinylon was actually first discovered by German scientists about the same time as nylon. But the early products showed a glaring weakness against water. Endless experimentation failed to correct this weakness. Samples of vinylon thread were then sent to scientific laboratories all over the world in an effort to correct this fault. One sample reached the laboratory of Dr. Ichiro Sakurada of Kyoto University. It was this laboratory which finally succeeded in making vinylon water-resistant. And it was the Kurashiki Rayon company which put its fate into the new textile to industrialize the process.

To hail its new product, Kurashiki Rayon sent Dr. Kutoku Tomonari, familiarly known as "Dr. Vinylon," on a tour around the world to introduce and publicize vinylon. As it is aimed to be a substitute for cotton, the great cotton producer, America, showed a cold disdain toward the new chemical fiber. But in Germany, the new vinylon was greeted with rejoicing. The Japanese had indeed succeeded where the Germans had failed.

Nylon is widely used for stockings, blouses, fishing nets, ropes, woolly nylon socks, sweaters, underwear, and suiting materials. But it is gradually also being turned to student uniforms and other products ordinarily made of wool and cotton. In contrast, vinylon has been found the ideal substitute for cotton and wool, particularly for items like student uniforms and work clothes. Other vinylon products include fishing nets, ropes, hoses, and filtering cloth, articles in which nylon prevails. In this manner, nylon and vinylon have come to vie in identical fields, but the former is the international chemical fiber and the latter Japan's own chemical fiber.

ECONOMIC DEVELOPMENTS IN THAILAND

The extent to which Thailand's economy depends on the rice crop is attested by the fact that the share of rice in the total annual value of exports averaged 57 per cent in the decade 1946-55. To offset the adverse effect on its revenue produced by the falling trend in the export price of rice since 1953, the Government has succeeded in steadily increasing revenues from other sources. Government expenditures, however, have continued to exceed revenues, with heavy outlays on defence and development contributing substantially to this result. From 1950 to 1956, the Government has had constant recourse to deficit financing. This has had a tendency to lift private spending and imports, thus adding to the pressure on the country's balance of payments caused by reduced export proceeds from rice and (in 1952/53) by the measures taken to raise the external value of the baht. Except for a very small surplus in 1955, Thailand's balance on trade account has been adverse since 1953.

Before the end of 1953, a comprehensive system of import controls was introduced in an effort to halt the drain on foreign exchange reserves, but the effect was more than offset by a marked decline in exports, especially rice, in 1954. Export liberalization in 1955—notably through the return of the rice trade to private hands and the introduction of sliding-scale export duties on rubber—produced favourable results in terms of larger foreign exchange earnings. In July of that year, the Exchange Equalization Fund was set up with profits from the revaluation of foreign exchange reserves, to help stabilize the widely fluctuating free-market exchange rates. Towards the end of the year, the Government relaxed import controls, greatly reducing its reliance upon quantitative import restrictions, which were depriving it of needed customs revenue. These measures brought about a sharp increase in imports and inventories in the first half of 1956. The Government accordingly began to grant re-export permits and to require more strict scrutiny of import financing by banks.

Though its economy has been relatively stable and prosperous, with prospects that have warranted a generally optimistic view, it has been apparent that Thailand has an unresolved problem of how to quicken the pace of economic development without endangering external and internal equilibrium.

PRODUCTION

Agriculture, Forestry and Fisheries

The 1956/57 paddy crop was expected to exceed the substantial output of 1955/56, which was estimated at 7.4 million tons; with the anticipated carry-over from the 1955/56 supply, the exportable rice surplus for 1957 was expected to be higher than that of the year before. The gain was attributed largely to favourable weather conditions and to the opening of the Chainat dam and other smaller irrigation systems. Satisfactory progress in the seed improvement programme held promise of reversing in future the fifty-year decline in the average yield per hectare.

Rubber production in 1957 was estimated at slightly below the record output of 133,300 tons the year before, which compares with a pre-war level (1938-1939 average) of only 42,000 tons. The Government has been drafting a bill to set up a rubber rehabilitation fund to be collected from special rubber export fees, for financing the replanting of 80,000 hectares, or one-fourth of the total area under rubber, with high-yielding rubber trees. The draft bill was expected to be introduced and adopted in 1957.

Production of teak was expected to decline somewhat in 1956 from the 1955 level of 306,000 cubic metres, substantially below the 1954 figure of 408,000 cubic metres, which may in turn be compared with the pre-war, 1931, record output of 388,000 cubic metres. The fact that concessions granted to foreign teak lessees came to an end in 1955 may be counted as a contributory factor. It was planned to divide the industry equally among (1) the

government-owned Forest Industry Organization, (2) provincial companies and (3) a new company, capitalized at 100 million baht, in which the Government was to hold 20 per cent of the shares while the five former foreign teak lessees were to hold 80 per cent. Details of the agreement on this joint venture, which was to run for fifteen years, have been under negotiation.

The annual output of fishery products has been estimated at about 200,000 tons, of which roughly 140,000 tons has been marine and 60,000 tons fresh water products. Estimates based on the quantity of fresh water and seawater fish landed at the Bangkok wholesale fish market in the first eight months of the year—over 33,000 tons compared with under 26,000 tons in the same period of 1955—indicated an increased yield in 1956. While rich in aquatic resources, however, Thailand has lacked trained personnel and capital to exploit them adequately, and the Government has reportedly considered opening coastal deep-sea fishing in Thai territorial waters to foreign investment, subject to certain conditions. There are a few canning plants, with a total daily capacity of one ton of fish, and three large cold storage plants with a capacity of 800 to 1,000 tons each. With aid from the United States International Cooperation Administration (ICA), one fish-meal pilot plant and one fish-liver-oil pilot plant have been placed in operation, and a technological laboratory has been attached to the government-owned cold storage plant.

From a dietary point of view, considerable interest attaches to a milk plant in Bangkok, with a capacity of 3,000 gallons in each eight-hour shift, which was expected to be completed at the end of 1956. Until a local dairy industry is built up, the milk powder and butter fat used by this plant will have to be imported.

Industry and Mining

Though the manufacturing sector has been small, accounting for less than 12 per cent of national income in 1953, the output of major industrial products has shown a generally rising trend in the post-war period. The output of cement by the Siam Cement Company Limited increased from 386,000 tons in 1955 to about 400,000 tons in 1956, and was expected to reach about 600,000 tons a year—in excess of current domestic utilization—upon installation of new equipment in 1957. In addition, the Irrigation Department's Cement Company, a joint government and private concern capitalized at 60 million baht, had a plant under construction which was expected to begin producing in 1957 and turn out 90,000 tons a year.

White sugar production by the two government-owned factories has tended to decline in recent years but private factories, which produce nearly four times as much (roughly 40,000 tons of white sugar in 1955/56), have steadily raised their output. A new factory for white sugar at Cholburi, owned by the National Economic Development Corporation Limited (NEDCOL, a private company with government guarantee and support), started test-running in December 1956; it had a maximum cane-crushing capacity of 1,000 tons per 22-hour day. The corporation was also setting up another factory at Supanburi with a daily cane-crushing capacity of 1,500 to 2,000 tons. With this in production —in 1957—Thailand was expected to be able to meet its estimated annual domestic requirement of about 70,000 tons.

The production of paper by two government-operated paper factories rose by about 10 per cent in 1956 from the the previous year's output of 2,200 tons. NEDCOL'S new paper mill at Bangpa-in, with a daily capacity of 40 tons of writing and printing paper, was expected to be completed in 1958, rice straw providing 75 per cent of the raw materials used and imported wood-pulp the remainder. There has been no mill in Thailand to produce newsprint, which, together with printing and writing paper, has been imported on a substantial scale.

The current output of about 6 million gunny bags a year has filled only about 25 to 30 per cent of the local demand. NEDCOL has acquired a gunny bag plant which it has been expanding; when this is in full production—in the first half of 1957—present output may be nearly doubled. Another gunny bag factory under construction, of about the same capacity, was expected to be completed by the middle of 1957.

The cotton mill in Bangkok, which has been placed under government control, has 21,000 spindles installed, employs more than 1,200 workers and can produce 35 to 40 bales of cotton yarn per day. With the installation of an additional 10,000 spindles, due for completion in 1957, it would be possible to increase production to about 20,000 bales a year.

Although production of tin-in-concentrates has not quite regained the pre-war level, it has been gradually increasing in post-war years. For the first ten months of 1956, the output was 10,310 tons, against 8,900 tons for the same period in 1955. As a result of the falling trend in tungsten prices in the world market in the post-war period, tungsten ore production had declined since the peak year, 1952, when 1,627 tons were produced. However, for the first ten months of 1956 output was 930 tons, compared with 893 tons for the same period in 1955. A Japanese firm was reported to be operating a new joint venture with a Thai firm for the exploitation of mineral resources in southern Thailand; the registered capital was reported as 18 million baht.

Lignite production at Mae Moh was estimated at 80,000 to 100,000 tons in 1956, a sharp rise from the 40,000 tons mined in 1955. It was planned to reach a maximum output of 200,000 tons a year by about 1958. Construction of a mine-based power station with an initial capacity of about 10,000 kW has been under consideration.

TRADE AND PAYMENTS

Advance estimates indicated a slight decline in the value of exports in 1956, and a continuation, in spite of higher import tariffs, of the generally rising trend in the value of imports, to a level higher than that of exports. In the first nine months of 1956, the value of exports amounted to $238 million compared with $251 million for the same period in 1955, while the value of imports (inclusive of non-monetary gold) increased to $273 million from $240 million; a trade surplus of about $11 million in the first nine months of 1955 was thus turned into a trade deficit of about $34 million in the first nine months of 1956.

Rice exports, whose share in the total value of exports though always dominant has been steadily declining, dropped about 21 per cent, from 2,592 million baht in the first nine months of 1955 to 2,056 million baht in the corresponding period of 1956. In terms of volume, the decline was from about 1,016,830 tons to 900,240 tons, or 11 per cent. However, in the latter part of the year the situation improved and the total rice export for 1956 was estimated to be only very slightly below the previous year's figure of 1.25 million tons. Rubber, tin and teak exports appeared to have remained constant or to have risen slightly. In the first nine months of 1956, rubber exports amounted to 93,370 tons as against 132,500 tons for the whole of 1955; exports of

tin-in-concentrates, 9,030 tons as against 11,220 tons; teak exports, 70,830 cubic metres, compared with 87,970 cubic metres. Exports of yang wood increased slightly to 44,000 cubic metres in the first half of 1956, from 38,400 cubic metres in the same period in 1955.

Thailand's trade in 1956 with the United Kingdom and the sterling area countries in the ECAFE region continued the marked improvement begun in 1955, though its share in Thailand's total foreign trade remained considerably below that of the pre-war and immediate post-war periods, when it constituted approximately 60 per cent of the total. Transactions with the dollar area, which in absolute as well as relative terms had increased sharply during the post-war period, with rubber exports and United States aid imports playing a prominent part, appeared in the first half of 1956 to have levelled off. In the case of trade with Japan, the rising trend was interrupted in early 1956 while a new agreement was being negotiated; this was signed in April 1956 and restored trade from an open account to a normal basis. Though trade with other ECAFE countries has declined in the post-war period, there were indications that the Government was trying to increase trade relations with its immediate neighbours; appointments were planned for trade commissioners, and transit trade arrangements were completed with Laos and were under negotiation with Cambodia. A draft agreement on economic and technical co-operation with western Germany was approved during 1956. On 21 June 1956 the Council of Ministers issued a statement lifting the export embargo on non-strategic goods to mainland China and northern Korea.

The main objectives of import control in recent years have been to improve the balance of payments position and to protect and stimulate local industries. In September 1956 commodities under import control numbered 52 items; about one-third of these were prohibited entry, the remainder being subject to import licensing. The licensing procedure included a special arrangement—the so-called link system—whereby importers agreed to buy a certain percentage of their requirements from local factories; this was the case with tea, gunny sacks and grey cotton shirting. Export licences were required for 40 items, including most of the country's principal exports. The basis on which they were granted varied from product to product but there were no quantitative export quotas, except in the case of cattle. The export of salt to Indonesia and Japan was subsidized by the Government to help producers, since salt exports to these two countries were priced below production cost.

The balance of payments deteriorated during 1956, owing largely to the trade deficit which, from about $23 million for the first half of 1956, was expected to reach $37 million for the year as a whole, in contrast to a surplus of $3 million for the year 1955. The service deficit declined fractionally, to about $18 million. This estimated total adverse balance of $55 million on goods and services account in 1956, plus an estimated $10 million net of outward private remittances, was financed partly by official donations amounting to about $26 million (of which ICA aid accounted for about $21 million and Japanese reparations for $3 million); partly ($14 million) by a combination of long-term loans from the International Bank for Reconstruction and Development for railways and irrigation, foreign suppliers' credit and ICA loans; the remainder for the most part by drawing down short-term foreign balances. Actually, gold and foreign exchange assets of the Bank of Thailand increased to $307 million at the end of July as compared with $295 million on the same date in 1955.

Exchange rates in 1956 were steadier than in any other post-war year, owing mainly to the liberalization of exports and the stabilizing effects of Exchange Equalization Fund set up in 1955.

FINANCE AND PRICES

Public Finance

Except for 1948 and 1949, government finances of the post-war period have been characterized by deficits brought about mainly by large defence expenditures and capital outlays for development. With the liberalization of export and exchange regulations in 1955, the Bank of Thailand's profits from foreign exchange transactions, formerly a major source for government borrowing, declined, and budget deficits, which were associated in 1955 with substantial increases in commercial bank credit, thus came to have an increasingly inflationary effect.

Precise evaluation of the economic effects of government finance in Thailand is difficult, in view of the complicated bookkeeping system in use. The deficit of 1,175 million baht appearing in the 1956 budget (revenue, 4,737 million baht, expenditures 5,912 million baht; a deficit equal to nearly 20 per cent of expenditures) compares with a slightly larger 1955 budget deficit of 1,224 million baht. The draft budget for 1957 as presented to the National Assembly in November 1956 showed moderate increases in revenues, expenditures and deficit, the figures being 5,085 million baht, 6,344 million baht and 1,259 million baht respectively.

Expenditures in the 1956 budget included 1,265 million baht for investment outlay (21 per cent of total expenditure), of which all but about 100 million baht, according to the estimated deficit, was to be covered by borrowing. Economic and social services amounted to somewhat less than 10 per cent of the total outlay budgeted; defence, not including police, was allotted nearly 14 per cent. Other "ordinary expenditures"—in which are included large amounts for cost of living allowances to civilian and military personnel, as well as some minor capital items—accounted for nearly 54 per cent.

The part played by deficits in recent budget estimates may be summed up as follows:

	1955	1956	1957 (proposed)
Deficit (millions of baht)	1,236	1,175	1,259
Deficit as percentage of expenditures	23	20	19
Percentage of extraordinary (investment) expenditures financed by current revenue	—	9	4

Estimated income from import and export duties in 1956 (including rice premiums) constituted 52 per cent of total revenue; direct taxes on income and wealth, about 6 per cent. This heavy dependence on variable customs revenues, as well as on other forms of indirect taxation, indicates the problem which fiscal policy in Thailand faces in seeking to finance a steady programme of economic development.

During the first half of 1956, the internal debt increased by 112 million baht, including 25 million baht realized from the 500 million baht loan floated by the Government in April 1956, but excluding debts contracted by government agencies, while the external debt (inclusive of government guarantees) showed a net rise of $11.3 million.

With the co-operation of ICA, experts in public administration have been engaged to modernize budget accounting and control.

Money and Prices

From 1952 to 1956, following the export surpluses achieved during the early part of the Korean conflict, a series of import surpluses (interrupted by a small export surplus in 1955) tended to counteract, from a monetary point of view, the inflationary effects of budget deficits. The net result was that money supply rose only moderately during this period, in contrast to its sharp rise previously. During the first four months of 1956, money supply increased by about one per cent, an increase in loans and advances of commercial banks to private enterprises barely outweighing the deflationary effect of the adverse balance of payments and of a budget which temporarily showed a small surplus in those months.

In this situation and with an increased supply of goods on hand, owing in part to the relaxation of import controls towards the end of 1955 and to the abundant rice harvest, the wholesale price registered a sharp fall of 10 per cent in January 1956, followed shortly by a somewhat smaller drop in the cost of living index. After a short break, however, both indexes resumed their upward trend; by July the year-end levels of 1955 had been approximately regained, and by November the cost of living index was 115 (1953 = 100), the highest point as yet reached in the post-war period. The domestic price of rice (15 per cent grade) fell more than 26 per cent during January but by July had risen to within 8 per cent of its position at the end of 1955.

DEVELOPMENT

Although no comprehensive plan or programme for economic development has been formulated in Thailand, the Government has undertaken the provision of basic facilities in transport, communications, power and irrigation with public funds, and has participated in the establishment of several important industries. The Government has also requested the International Bank for Reconstruction and Development to make a general survey of Thailand's economy and development possibilities. The study is expected to provide a much better measure of the country's potential wealth than any heretofore available.

The participation of private enterprise (with government support) in economic development took an important forward step when the National Economic Development Corporation, Limited, was set up in 1954, with a registered capital of 50 million baht. The corporation has been able to contract both domestic and foreign loans, under government guarantee, amounting to several times its capital, and, as noted above, has been active in various large-scale industrial undertakings.

In 1956 four notifications were issued under the Industrial Promotion Act of 1954, designating additional industries entitled to government assistance in the form of tax rebates, reduction or exemption respecting import or export duties, and other incentives and facilities. A number of applications from both Thai and foreign nationals have been received and considered by the Government. In September 1956, under the 1954 investment guarantee arrangement with the United States, ICA issued its first guarantee in Thailand to a tapioca milling company. The guarantee, totalling $225,000, covered convertibility of returns from the investment into dollars and protection from financial loss in case of expropriation.

Transport and Communications

In the first four-year programme (1952-1955) for highway development, construction and rehabilitation of 2,000 km of highway was planned at a cost of 1.4 billion baht. However, only about 800 million baht was completed or financed. In 1956 the highway programme was revised, involving additional expenditures of about 3 billion baht for improvement and construction of highways totalling 3,700 km. United States aid, a considerable part of which has been directed towards improvement of roads, and transport and communications generally, amounted to 50 per cent of the total outlay in the first programme and was expected to be substantially greater in the second. Upon completion of this second programme, Thailand was expected to have about 11,000 km of all-weather roads.

With highways only beginning to be built, the railways, with a total length of nearly 3,500 km, have provided the sole important link between the different regions of the country. In the first five-year programme (1950-1954), the State Railways of Thailand spent about 700 million baht on rehabilitation. The second five-year programme (1955-1959) called for a total outlay of 1.3 billion baht for purchases of rails and accessories, telecommunication equipment, cars and coaches, as well as for bridges and buildings. The programme was to be financed mostly from retained earnings of the railway itself, the remainder coming from government grants and from loans by the International Bank for Reconstruction and Development.

In October 1956, the Port Authority obtained a second loan of $3.4 million from the International Bank for the purchase of three more dredges and auxiliary dredging equipment to keep the port of Bangkok and the channel leading to it open for deep-sea vessels. The Port Authority has had four dredges in operation. Also under consideration by the Port Authority was an investment of about 30 million baht in a project to study the formation of silt in the channels of the Chao Phya River.

A 78 million baht contract, with ICA financing, was signed in October 1956 with a local contractor for major expansion of the airports at Nakorn Sawan and Nakorn Rajsima. The Thai Airways Company, a government-owned body, in 1956 signed a three-year contract with a United States airline company for improvement and extension of the route of the Thai airline; most of the finance was supplied by ICA. The company has ordered three Constellations from the United States to be delivered in 1957 for use in oversea service. In addition, 10 million baht was allotted in the budget for the expansion of Don Muang airport in Bangkok.

In the field of communications, a three-year programme for linking the provinces through a network of repeating stations has been under consideration by the Ministry of Communication. This project, estimated to cost 400 million baht, was also expected to have the cooperation of ICA. Preliminary survey work was expected to start towards the latter part of 1956.

Power and Irrigation

Towards the end of 1956 a mission from the International Bank for Reconstruction and Development was in Thailand to study the proposed Yanhee hydroelectric multiple-purpose project at the request of the Government. This project, if undertaken, would meet the greater part of Thailand's power needs for a considerable period. Construction of the first phase would take an estimated five years. This phase, estimated to cost about 1.5 billion baht, would add about 140,000 kW to installed power capacity. Later phases would bring the total installed capacity of the project to 560,000 kW, at an estimated cost of another 1.5 billion baht. The project would provide substantial irrigation and flood control benefits.

Late in 1956, the Council of Ministers approved in principle an offer made by a United States company to

build a pilot atomic power plant, with an estimated capacity of 12,500 kW, the company to be granted a fifteen-year concession. The National Energy Council was instructed to study the conditions and other matters relating to it.

The Chao Phya (Chainat) dam, completed with the greater part of the main canals, in the latter part of 1956, was expected to put about 500,000 hectares under irrigation. With all the laterals finished—in 1958 or 1959—a total of 940,000 hectares of farm land was expected to be under irrigation as a result of this project, leading to an estimated increase in paddy production of about 800,000 tons per annum. The Greater Chao Phya project as a whole was estimated to cost about a billion baht. Together with the Chao Phya dam, construction of the Yanhee dam would mean that the reach of the Ping River from Tak to Nakron Sawan, a distance of about 200 km, would be benefited by having a navigable channel the year round instead of only during the flood season.

From the long-term point of view, one of the most significant steps in 1956 was the Mekong River reconnaissance, undertaken with a view to exploring the possibilities of multiple-purpose development of the Mekong that would benefit the four riparian countries—Thailand, Cambodia, Laos and southern Viet-Nam.

Government Industrial Projects

The industrial enterprises financed wholly or partly with government funds have been many and varied. Among the latest developments were a new canned food factory and a glass factory, to be completed in 1956 or 1957, and a tannery which has been under construction, all to be operated by military authorities. The Council of Ministers has also approved a draft contract for the Thai Cement Company to set up an iron and steel plant with a daily capacity of 100 tons. A German manufacturer has been engaged to do the survey work and, subject to certain conditions, to participate in the venture.

To reduce the increasingly large amount of foreign exchange spent for petroleum and petroleum products every year, the Government has given considerable attention to the exploitation of possible oil resources in the country. The Menam Chao Phya River basin survey has revealed structures with possible oil resources in several places, and preparation for test drilling has been made by the Department of Mines in the province of Ayudhya. A three-year programme for the construction of an oil refinery at an estimated cost of 84 million baht was scheduled to start in 1957 at Faang, where proven oil resources have been estimated at 22 million barrels; this refinery was expected to produce 60 million litres of petrol a year. It was also decided, by agreement with the two leading oil companies, that the Government's oil fuel organization late in 1956 would resume the practice, given up in 1947, of selling oil to the general public.

Notable among commercial developments was the opening, in November 1956, of a 75 million baht hotel, financed in large part by the Government. The growing importance of tourism in Thailand, with its implications as an earner of foreign exchange, was further reflected in plans under consideration for another large hotel in Bangkok, to be privately financed as a joint venture of Thai and United States nationals.

ECONOMIC LETTER FROM MANILA

Gov. Delfin Montano of cavite is conferring with coffee planters of Cavite on plans to set up a P230,000 coffee processing plant in the province. The plant, to be financed by the growers themselves, is a favorite project of the Governor and part of his plan to bolster the agriculture of the area.

A new invention that will enable motor vehicles to use locally produced alcohol as motor fuel has been developed by the research and development division of the Armed Forces of the Philippines. The device has been road-tested and will soon be ready for mass production.

The Export-Import Bank is considering the application of the Philippines for a $32,000,000 loan to buy equipment for the projected government steel mill in Iligan, Lanao, and is favorably disposed toward the loan. The Philippines still has an Export-Import Bank credit of around $50,000,000 left over from a credit of $65,000,000 advanced in March of 1956, but the Philippines is disposed to let this lapse and set up new financing for the steel project. The difficulty with Export-Import Bank credits in general is that they can be used only for purchases in the United States. In many cases the Philippines, hard pressed for cash, feels the need to take advantage of lower prices from West Germany, other European suppliers, or Japan. U.S. Government officials have pointed out that applications to finance the steel project through President Eisenhower's special Development Loan Fund could not be considered until the Philippines has exhausted possibilities with other sources, including the E-I Bank and private investment.

The Society of Philippine Geologists pledged itself to the task of developing the rich mineral resources of the country—chromite, nickel, copper, lead, iron, manganese, and non-metallics such as coal and rock asphalt. The geologists concluded that although the country abounds in mineral wealth, efforts to develop it have so far been feeble. Experts expressed the opinion that a good portion of the nation's metallic imports during the past few years could have been obtained locally. Agriculture Secretary Jose Trinidad is of the opinion that mineral products are destined to become the country's top export commodity. While the country is exporting some $50,000,000 worth of minerals a year, huge deposits are still barely tapped.

Production and shipping figures for Atlas Consolidated Mining and Development Corp. reveal that during December the company's Toledo mill treated 365,442 tons of ore assaying .69% copper for a production of 7,041.5 dry short tons of copper concentrates containing 3,896,373 pounds of copper and 985.8 ounces of gold. Shipments of copper concentrates for December 1957 totalled 5,480 dry short tons containing 3,070,881 pounds of copper and 768.2 ounces of gold valued at P1,376,860.20 and P76,820, respectively. In addition, 1,250 tons of pyrites valued at P22,500 were shipped to the National Power corporation plant at Iligan, Lanao. One shipment of 9,200 metric tons of iron ore valued at P161,000 was made from the Mati iron mine. Combined value of all shipments totalled P1,687,180. Samar Mining Co. copper project in Masara, Davao, produced concentrates estimated to contain metals worth P182,017, last December.

Philex Mining Corp. drilling on its first hole in the Sudipen dome, Ilocos region, penetrated to 1,100 feet. Core samples were taken and progress was reported as satisfactory. Diamond drilling began in the area upon the recommendation of geologists that the dome showed promise. Acoje Oil Co. started sinking its first hole in Bogo, Cebu, in January. The firm is a new corporation and a sister firm of Acoje Mining Co., both headed by Jesus S. Cabarrus. Trading in shares of Acoje Oil Exploration began on the small board of the Manila Exchange on January 10 with sales totalling 4,160,000 shares. The price opened at P0.031 and closed at P0.030. The SEC has approved listing of 500,000,000 shares with a par value of P0.01 each.

Shares of the Republic Resources and Development Corporation were officially listed on the board of the Manila Stock Exchange Jan. 9. This makes Redeco the second oil company stock to be listed on the Manila exchange. The first is Philippine Oil Development, which pioneered in local oil exploration and development. Redeco, which has signed an agreement with San Jose Oil Company to embark on a joint exploration and development program, has petroleum concession all over the country, including Mindanao, central Luzon and Manila bay areas. Approved by the Securities and Exchange commission for listing on the big board of the exchange are 200,000,000 common shares with a par value of one centavo each.

Officials of Benguet Consolidated have organized another investment and management firm in Manila with a total capitalization of P2,000,000. Incorporation papers of the new company have been approved for registration with the Securities and Exchange commission. The new firm, Benguet Mutual Fund, Inc., has a subscribed capital of P401,000, of which P101,000 has been paid up. Majority stockholders are Judge John W. Haussermann and R. W. Crosby, both Americans. Listed as incorporators are R. W. Crosby, A. T. Carrascoso Jr., J. C. Bardey, Eric J. Sanders and Leon T. Reyes. They compose the board of directors of the firm. The new firm's capital stock of two million pesos is divided into 20,000,000 shares of common stock with a par value of P0.10 share. Bardey has been designated treasurer.

The Itogon mill of Itogon-Suyoc Mines, Inc. established another new post-war high in production in December, treating 17,953 tons of ore. Recovery totalled 3774.656 ounces of gold worth approximately P450,000, according to Marsman & Co., Inc., mine managers. In the previous month recovery was 3208 ounces valued at P388,330.

HONGKONG NOTES, COMMENT & REPORTS

Overbuilding & its Problems

Advertisements in the daily vernacular press displaying flats and other accommodation for sale on various terms and for rent including 'hire-purchase' arrangements are very numerous, often taking up two full pages, showing impressive, tall buildings and sketches of apartments as well as other attractive illustrations. The developers are generally now getting aware of buyers' resistance and are prepared to give it cheaper. However the process of overbuilding has been accelerated in recent months, and as more large building projects are under way towards realisation, the interested public appears more reluctant to accept current sales offers and no longer shows eagerness to pay up any amounts in advance of the readying of the accommodation for occupation.

There has been much 'cheating'—developers having claimed 'superior' accommodation and upon this claim having received full payment in advance from tenants—which has eventually caused growing wariness and even suspicion on the part of prospective tenants. The quick and therefore frequently unsatisfactory finishing of houses has been noted in almost all districts of the Colony, and while most construction companies, after so many complaints had been made, have improved their methods there is still, regrettably, a lot of shoddy building going on which cannot but in short time lead to more disappointment.

The influx of money from overseas Chinese in Southeast Asia and also other parts of the world has been very pronounced in recent years but there has been noted a considerable decline in these inward remittances and of late the former influx has changed into a trickle. The hundreds of millions of HK$, having come here mainly for investment rather than for safekeeping, induced among others an artificial building boom; more accommodation than was economically justified (which is quite different from 'socially needed') was subsequently put up, land prices multiplied and speculation both in land and in houses was encouraged. The Colony showed everywhere evidence of building progress and the skyline changed every few months; the physical assets of the Colony rose as not only large amounts of money, mostly imported, went into 'rateable improvements' (buildings of any description) but building sites were increasingly made available by cutting away whole hills and otherwise levelling a lot of previously inaccessable sites.

The developers did, without ever so much as giving this matter a thought, do much good for the further "advance of civilisation" and for making Hongkong a still more desirable place to live in; but they involved themselves in risky schemes and, motivated as they were by quick profit calculations, often got caught and quite a few went bankrupt. The proposition of forward sales of flats, and any imaginable type of accommodation including cubicles, was keenly taken up and developed to such an extent that within a few years a large number of people found themselves as 'home owners', having bought in one down payment or in instalment payments, flats and rooms. Many of the little skyscrapers are no longer owned by the estate company which initially financed the building but by the people who live there; they are possessing flats in the sky in the same manner as in other less congested territories people own their little houses with a surrounding garden.

The fairly easy sales of flats in previous years induced more building than was economically justified. But danger signs—such as empty flats, declining rents—were ignored and developers went ahead, oblivious of possibly damaging consequences. The simple fact that the large majority of residents here, while understandably desirous of securing better accommodation, could not afford to pay for more expensive flats or were financially not in a sound position to undertake the purchase of an apartment on an instalment basis, was not properly appreciated; nor was a study ever made of the purchasing power and the real income of the people here, those who were to occupy the thousands of

new flats. Still, somehow, the real estate business proceeded, and prosperity appeared to the builders and developers to be very solid indeed.

However sales of flats declined in number and more vacant premises became the talk of the town. The number of small land development companies—of which there are a great deal here—have subsequently shown less enterprise leaving of necessity the field to the 'big fish' who, with ample finance, bank credit (of certain selected banks only), good connections with overseas Chinese flight capital and well-backed construction companies, stormed ahead and bought land right and left covering it with ever taller and massive buildings. Rumours arose that this or that important financier was getting into trouble—having been unable to continue paying for construction partly carried out, or to make initial payments to commence with site formation work, or to satisfy his prospective partners and co-financiers—as a result of inadequate advance sales of premises or unforeseen competition of a developer in the vicinity. The public hears such rumours with delight, expecting that both sales offers and rentals will further decrease so that the acquisition of a flat will become a more tangible proposition. The laudable but slow work of the Government Housing Authority and the various building societies, as well as constructions by large companies to house their employees and their numerous dependents, have lessened the demand for flats on the part of the community at large.

Those who can afford paying rent of a few hundred dollars per month or can buy, even over a longer period, a flat costing several tens of thousands of dollars, are no longer so numerous as a few years ago. The demand has been met. New demand is slow in accumulating. The 'underprivileged' members of the community, including the little but persistent streams of immigrants from China, cannot well be expected to become tenants in our new apartment blocks or to enter into the socially desirable category of home owners. Thus, the question must be asked, where will the tenants and 'vertical home owners' come from to finance the present ambitious building program not to mention the projected constructions which are, to judge by the blueprints and tempting, cute models displayed in so many architects and developers offices, adequate to house Hongkong's 'underprivileged' suburbia.

Building Boom: North Point

The amount of new building in the North Point district, from Causeway Bay in the east to Quarry Bay/Shaukiwan in the west, has been for a long time now a cause for wonderment, and this feeling has heightened as during the last few months more projects have been announced which, when completed, ought to transform North Point in a miniature Manhattan of the East. The trend to build higher has been noted all over the Colony but in North Point the block mountains have become the rule rather than the exception.

The number of people now living in that district—ten years ago practically empty—is rising and with the completion of several housing projects, especially the Government Java Road estate and several company staff blocks of great size, the transport problem has become very pressing. The congestion of people and general overcrowding is everywhere painfully evident. Open spaces and recreational areas are non-existent. Slum-like conditions must be expected to emerge soon. The hillsides down from Mount Butler are now being attacked and it will not be long before more very steep hill roads will have been built and houses constructed on and over precipices. Meanwhile squatter huts in an unending array from Tai Hang slopes to and beyond Shaukiwan 'adorn' the mountain sides and have descended right down to the thoroughfare level.

Rising among the squalor and menacing poverty of the squatter settlements, towering apartment blocks are growing up one after the other, and developers are chasing after prospective tenants and shop keepers. Around Victoria Park many buildings are now going up and plans have been finalised for a fair number of more skyscrapers to grace that recently developed area. Up the Tin Hau Temple Road, where hillsides have been cut through, construction activity is on the increase. The Bayview area, after which the whole North Point district is named in local Police jargon, is still very industrial in complexion but apartment houses have been put up in such large numbers that the surrounding factories and workshops are now conspicuously in the minority. One real estate company alone is responsible for the construction in North Point proper, from about the Empire Theatre to Metropole Theatre, for about half a dozen skyscrapers, all of imposing size but of less attractive architecture; and there are others which in more moderate fashion are trying to sell living spaces to the public.

Construction these days proceeds amazingly fast; ferro-concrete building technique has advanced in such a way that a 17-storey apartment block can be put up within less than a year, piling and simple site preparation included. Whole rows of blocks are on their way to early completion along King's Road—Empire Theatre Apartments (to be erected by Lok Hoi Tung Co., who also own Queen's Theatre, soon to be demolished to give way to a 14-storey building), next to a recently finished tall structure called Empire building, Majestic, Coronet, Mido etc. The Lynhall Investment Co. is one of the principal developers in this area; they also have under construction a very pompous building which will soon be going up east of Metropole. North and south of King's Road, the main thoroughfare of North Point, tall buildings, often nothing more than thin slabs, are rising. A major development scheme, now in its early stage after a whole ugly hillside, jutting out into King's Road, had been removed to the last pebble, will in due course produce what is described as a luxury hotel with all the facilities the American tourist is supposed to demand in the coming days of jet air travel, and also fairly well constructed flats good for housing a few thousand people. Shops and stores of any description are being opened, and competition is getting ever stiffer with resultant lower profits and little chance for capital formation.

Further to the east, on the way to the extensive properties of Taikoo (Butterfield & Swire), much redevelopment and new building in recent years was observed, and more skyscrapers, of 17 storeys each, are either being finished or planned for early commencement. The building materials employed and the general appearance is not actually inviting, the colour schemes are crude and inadequately applied; construction work—to be solidly done—proceeds too fast; early gain and quick sale of half-completed flats propel developers to embark on these hasty schemes.

Shaukiwan, not so long ago a dreary, sleepy suburb, is now being crowded with new buildings. Many of them were urgently needed as the old structures were and are often falling to pieces—dilapidated buildings in the true sense of the word (stones coming all apart). The population in that suburb, including the float Tanka and the half a dozen squatter village dwellers on the slopes of Mount Parker, is about 80,000, according to the Shaukiwan Police unofficial estimate. Many still live and die on their little boats in the Shaukiwan Bay and surrounding anchorages. But a few of the more enterprising Tanka—who are partly of Malay racial origin—have entered the house building race and have financed several large structures in that otherwise untidy and often slum-like looking suburb. The few over ten storey houses in Shaukiwan look quite incongruous in the quaint environment but in view of the shortage of level land and the high price of it there is no alternative but to build vertically.

Already little Shaukiwan is congested and the trend is to spread towards the southeast, where the resettlement area of Chaiwan is located. There are large tracts of military lands right to the east and south of Shaukiwan and they could, if the military authorities agreed to a change, be used to some extent to accommodate another suburb. The quick and comfortable transport between these eastern suburbs and the central district of Hongkong is of the greatest importance for future development.

Midlevel: Macdonnell Road

Not so long ago Macdonnell Road was a quiet midlevel road boasting some fine residential apartment houses; a rather secluded place. But in the rush to build more houses, the developers and land speculators seized on that road and within two years they succeeded to convert it into a congested and crowded area. What little breathing space there might still be left is quickly grasped by the developers and within a very short time there will be a solid mass of houses along that erstwhile so pleasant and even quite exclusive area. The mansions, apartment houses, courts etc. are springing up in amazingly quick sequence. Some 'courts', known by attractive names, rise up to 14 storeys, most however hover around ten 'only'.

The names of the recently constructed apartment houses along Macdonnell Road sound quite nicely, thus: Grosvenor, Catalina, Horne, Grand, Welsby, St. Joan, Estella, Eterna, one Donnel and another one Macdonnell, Happy (which doesn't look like the name suggests), Lindo, Morning Light, Park, Hillview, St. Louis, Union, Fairview, William, South, Great, Grayview (after the late Mr. Charlie Gray) etc. Many buildings, in modesty, sport no names though this is no way a reflection on their good looks. The road is narrow, clogged with parked cars. Many mansions and courts show the clear signs of shoddy materials having been used and of too fast, superficial construction work—to get the job over with and keep the money rolling in. Quite a few of the 'ultra-modern' flats are less impressive than repulsive; their equals are found in the suburbs.

Some old buildings by contrast are spacious and gracious, and show less wear than many recent structures. The old building technique was less advanced than the contemporary one; but it was more honest. The new buildings are all fighting for space, and the developers are keen on utilising every square inch. The tenants find themselves glued together. This would seem to be the price of high fecundity and insistent immigration. Whatever the terrain and the difficult contours, the developers combat them by squeezing all sorts of odd shapes and sizes into the available building lots. Towering over Macdonnell Road is the recently completed and beautifully executed Estoril Court, owned by the principal gold traders of Macao who, although Chinese, have named this building—one of the many they own or control through their affiliate companies —after a famous resort in Lisbon, Portugal. The Estoril somehow does not fit into the surrounding architectural confusion and building congestion.

New Buildings

Two more redevelopment projects, both in the Tsimshatsui area, have just been announced. At the corner of Chatham Road and Cameron Road, a 16-storey hotel will be built. Another 17-storey building will be erected nearly on the site bounded by Nathan, Mody, Cameron Roads and Bristol Avenue. And in the tip area of Tsimshatsui several more construction plans are in a far advanced stage comprising some more hotel and shop-apartment blocks. The activity in construction company offices and real estate financiers appears feverish and therefore does not inspire confidence. One cannot help harbouring certain apprehensions.

Recently, the tempo of redevelopment has slowed down. During 1957, 1,410 redevelopment projects were submitted to Government for approval. Indications at present however are that the record this year will not be as impressive. In addition to hundreds of small buildings, about fifty large apartment blocks of over 10 storeys in height are under construction. If sales of flats in advance do not increase, 1958 might be a year during which many redevelopment projects would miscarry due to insufficient construction funds. The only way to avoid a bust is to restrict speculative activity in building development. The Building Authority, in approving a redevelopment application, usually requires substantial evidence that an investor has adequate funds to carry out the project. However, the Authority has no way to prevent an applicant from transferring the funds to other projects after the approval is granted. The restriction must therefore be voluntary. Real estate speculators should have enough common sense to refrain from plunging into any venture bigger than they could finance, and larger than the current demand requires.

Shops and Arcades

It has become the fashion to open shopping arcades in many new buildings on both sides of the Harbour, with more sophisticated shop fronts and decor in evidence during recent months. Arcades, of the local variety, are now being planned to be included in more than half a dozen new buildings, and such arcades are to descend into basements (the idea being copied from subterranean Tokyo and Osaka) and ascend into the third floor. As if there were not already too many shops spread all over the twin cities! Hongkong—a shopper's paradise! Fierce competition and lowest prices are the results of this almost incomprehensible scramble for new shop premises.

In the tourist district of lower Kowloon there appears to be no end to the opening of new shops and stores, and

therefore the current craze for 'arcades'—which are in name but not in fact arcades—has reached sort of a boiling point. In the central business district, reaching as far as Sheung Wan now, many arcades show however gaping holes where shops were projected to be; it may be accepted that tenants for these premises will be found though at much lower rental figures than construction companies and landlords have calculated only a few months ago. In the just completed towering Li Po Chun Chambers—located amidst the Colony's principal department stores—a shopping arcade has not yet caught on and perhaps some tea rooms will have to take up the space which shop keepers seem wary to do. Incidentally, tea rooms, cafes, night clubs and eateries of any description have multiplied to such an extent that failures and bankruptcies must be expected, and indeed there are many owners of such amusement enterprises which are heavily in debt and should have long ago closed down.

In the rapidly growing Central Building, among the tallest buildings in the Colony, there will be three floors of shopping arcades, expected to rival the relative elegance and showiness of the Man Yee Building arcades (also now grown into three floors of shops). Even in Causeway Bay and North Point, 'arcades' are being planned—not because there is any necessity for them but just to follow the fashion. Projects of arcade promoters are ambitious and if some of the rumoured projects ever see the light of day, the public will be stunned—but whether they will also patronise these shops remains to be seen.

Purchasing power is not rising and the tourist trade must not be relied upon too wildly. Little fortunes are spent by designing, furnishing and equipping these many, many new shops. Merchandise on display and on stock is frequently bought on long-term instalments; as sales proceed so will the instalments. There seems often to be more fury than sound commercial sense in equipping and stocking the new shops. The local populace is certainly lured into spending more than they can afford. Austerity and moderation in consumption are not induced by such conspicuous and tempting display of goods. While the tourist is always the target of shopkeepers' designs, the local residents are nevertheless psychologically under constant attack, as it were. The sociological consequences of this ostentation must be also considered when reviewing the current "shops' spree".

Hire-purchase and long-term credits for common consumer and household goods are now generally observed; particularly in luxuries and 'ultramodern' gadgets buying is being induced by easy purchase terms—how easy will be found out when instalment payments fall due and the various gadgets have lost their glamour. The transistor gadget is one special case in point; and the whole music industry, from hi-fi noise makers to vast arrays of records, is another. Where will the salaryman get the money to pay, eventually, for all these blessings of contemporary civilisation? Will his productivity rise to keep up with his enticed luxury demands? This is, of course, no matter to concern the shopkeepers and those who are now all out to enter into the business of selling goods over the counter. But a circumspect business man will look around the community he lives in and will soberly estimate what real purchasing power there is and can be calculated to be, before he rushes into the opening, with own and borrowed money, of yet another shop.

Business Prospects

There is no question as to whether or not a business decline is in prospect. We are in a mild recession. Business statistics have been pointing toward a recessionary movement. Consumer confidence and steady purchases of goods helped to retard the recessionary movement. A noticeable change has recently taken place in consumer ability to buy. This has accelerated the decline in business trends. The questions now uppermost in the minds of businessmen and consumers are: 1. How deep will the recessionary movement be? 2. How long will it last? 3. When will the upward turn come?

These are vital questions. Most forecasters predict that the downward trend and trough will last several months. There are many factors (business, political and international) which hold the answers to the foregoing questions. Despite pessimistic news that is revealed in many overseas reports, business as a whole is doing quite well. It is only because the world has become accustomed to so much for so long that makes the present business decline seem worse than it really is. An adjustment has been in order for some time. Business faces slimmer profits as a result of declining volume and rising costs—particularly if further consumer resistance to price increases develop. Industry belt-tightening, including cost reduction measures, are usual procedures in times of stress. Such action tends to give momentum to the depth and length of a recessionary movement. The present situation will hardly escape such treatment.

In Hongkong which usually reflects world conditions after some lapse of time, a fairly long period of prosperity and ample profits may slowly enter a period of more sober business conditions. The expansion of building and retail business, to remain soundly based, cannot be expected to continue. A saturation point has been reached. Industrial progress on which the standard of living of the majority of the people here depends, should also tend to be more cautious and less exuberant. There need not be any contraction but certainly any further expansion should only be attempted with more care and study than seems to have been the habit in the past year.

Gas Supply

The Hongkong and China Gas Company is planning to centralise the distribution of gas in the Colony from the new Mataukok plant which is now under expansion. The project will be completed within two years. Two 5,000-foot gas mains will be laid across the harbour from the Hung Hom Reclamation to Kellet Island in Hongkong; work will be completed by the end of April before the typhoon season. The Company's West Point plant will be demolished after the completion of the Mataukok works.

Low-Cost Flats

Since the recent completion of the North Point Estate, the Housing Authority has been rushing the construction of the Cadogan Street Estate; three of the blocks will be completed this Summer. Site formation at the So Uk Estate in Kowloon will soon be ready and the first section of the estate will be completed in about a year; the remaining blocks will be ready by the end of 1959. At the end of last year, the Authority's debts to Government amounted to $32.7 million. The major portion of this sum was spent on the North Point Estate. Interest payments to Government now average $93,400 per month.

HONGKONG AIR TRAFFIC IN NOVEMBER

Regions	Departure			Arrival		
	Passenger	Freight (Kilos)	Mail (Kilos)	Passenger	Freight (Kilos)	Mail (Kilos)
Australia	153	4,815	957	103	2,147	232
Thailand	1,817	21,992	640	1,267	9,631	2,826
Borneo	131	3,010	152	79	14	—
Burma	329	20,014	829	186	13	240
Cambodia	378	1,579	236	224	7	347
Canada	161	1,124	641	104	1,369	265
Europe	228	12,158	1,982	136	7,857	2,035
Taiwan	857	44,437	1,639	1,124	3,530	1,692
Guam	4	3,410	27	1	124	24
Honolulu	119	352	142	51	180	81
India	390	10,081	464	610	2,726	1,556
Indonesia	—	—	570	—	—	—
Japan	2,325	10,040	3,345	2,358	16,263	8,274
Laos	198	32,202	48	72	1,269	36
Macao	—	4,526	—	—	—	—
Malaya	37	144	390	43	11	179
Middle East	127	754	438	160	153	629
New Zealand	—	—	1,163	—	—	—
Okinawa	176	9,025	84	96	795	30
Pakistan	53	2,681	259	68	271	230
Philippines	2,653	20,533	890	2,131	3,068	1,358
Singapore	719	23,320	1,395	675	9,861	3,299
South America	56	3,915	23	11	19	29
South Korea	147	2,866	606	216	50	527
United Kingdom	391	12,783	2,734	369	9,018	5,054
United States	134	10,747	4,025	53	3,316	2,933
Vietnam	452	11,209	350	461	2,186	454
Wake Island	—	136	—	—	1	—
Ceylon	—	—	165	—	—	21
Africa	—	—	945	—	—	14
Total	12,035	268,053	25,139	10,598	73,879	32,365
Direct Transit	948	23,005	—	948	23,005	—

Total Aircraft Departures = 381. Total Aircraft Arrivals = 381.

School Management

Government recently set up a special advisory panel to assist and advise private schools on school management including registration, premises, equipment, staffing, finance and general administration. The Director of Education, Mr. L. G. Morgan, announced last week that Government had agreed to refund to private schools any fees paid for architects' certificates that their school buildings are in sound structural condition, as now required under the amended Education Ordinance. "We want more schools," Mr. Morgan said, "but we do not want just any kind of school. We want the best schools which can be organised under present conditions and we want schools free from any kind of danger to the pupils." The Panel consists of six senior officers of the Education Department who have special experience in the management of schools.

Medical Service

The Hongkong Chinese Medical Association is planning to start a medical insurance project which will be carried out by the proposed Hongkong Mutual Medical Benefits Society. Three insurance plans will be offered. Plan '1' will provide for office consultations only and plan '2' for office consultations and maternity care (excluding delivery). Plan '3' is more comprehensive; it will provide general surgical treatment (including operation, hospital fees) in addition to office consultations and maternity care. These plans however will not include the cost of prescriptions except in the case of those for surgical reasons under plan '3'. The scale of annual premiums is now under consideration.

HONGKONG SHIPPING IN NOVEMBER

Flag	Vessel Arrived No.	Arrived Tonnage	Departed No.	Departed Tonnage	Cargo Discharged (Ton)	Cargo Loaded (Ton)
British	260	409,799	264	432,527	90,576	43,686
American	21	114,329	22	117,837	9,100	5,954
Czechoslovak	—	—	1	2,732	—	—
Chinese	16	7,779	16	8,130	9,052	2,858
Danish	19	61,866	20	65,519	6,850	9,934
Dutch	21	89,688	16	70,346	31,050	7,186
Finnish	2	7,103	2	7,103	—	—
French	7	25,998	8	26,596	11,707	2,050
German	6	26,264	6	26,264	4,452	2,536
Indian	2	6,139	2	6,139	119	350
Italian	2	12,714	2	12,714	14,925	135
Japanese	37	115,675	38	120,417	13,483	23,220
Korean	9	16,221	8	15,739	7,414	4,029
Liberian	2	10,068	3	12,190	19,574	350
Norwegian	35	86,210	36	99,747	21,963	14,913
Panamanian	16	22,576	15	21,045	15,758	10,779
Philippine	1	4,330	1	4,330	—	150
Polish	2	7,189	2	7,189	—	—
Ryukyu	1	1,963	1	1,963	—	200
Swedish	7	24,895	8	27,475	8,149	950
Yugoslav	1	3,272	1	3,272	1,800	—
Total	**467**	**1,054,078**	**472**	**1,089,274**	**265,972**	**129,280**

HONGKONG AIRWAYS

Current Services Time Table, Passenger Fares and Cargo Rates

VISCOUNT SERVICES TIME TABLE

All Local Standard Time

Hongkong Manila	Hongkong Taipei	Hongkong Seoul	Hongkong Tokyo	Hongkong Taipei/Tokyo	Route	Tokyo/Taipei Hongkong	Tokyo Hongkong	Seoul Hongkong	Taipei Hongkong	Manila Hongkong
1 3 6 7	5	4	4	2 6	Frequency	3 7	5	5	6	1 3 6 7
HK3	HK7	HK5	HK9	HK1	Flight Number	HK2	HK10	HK6	HK8	HK4
L	M	M	M	M	Catering	M	M	M	B	L
1000	1645	0900	0830	0830	lv **HONGKONG** ar	1600	1600	1500	0930	1630
↓	↓	↓	↓	↓		↑	↑	↑	↑	↑
↓	1900	↓	1045	1045	ar **TAIPEI** lv	1340	1340	1245†	0715	↑
↓	↓	(D)	1130*	1130	lv ar	1255	1255	1200†	↓	↑
↓	↓	↓	↓	↓		↓	↓	↓	↓	↑
↓	↓	1500	↓	↓	ar **SEOUL** lv	↓	↓	0830	↓	↑
↓	↓	↓	1720	1720	ar **TOKYO** lv	0800	0800*	↓	↓	↑
1230	↓	↓	↓	↓	ar **MANILA** lv	↓	↓	↓	↓	1400

†—Technical Stop. No Traffic Rights. M—Meal in flight. L—Light refreshment. B—Breakfast.
*—No Traffic Rights Between Taipei and Tokyo. (D)—Technical stop may be made at Taipei.
1—Monday 2—Tuesday 3—Wednesday 4—Thursday 5—Friday 6—Saturday 7—Sunday

PASSENGER FARES

Hongkong

		HK$*	US$**
Manila	O	372.00	64.00
	R	669.00	115.20
	Ex	—	—
Seoul	O	841.00	145.00
	R	1513.00	260.90
	Ex	1189.00§	205.00§
Taipei	O	400.00	70.00
	R	720.00	126.00
	Ex	640.00	112.00
Tokyo	O	832.00	145.60
	R	1498.00	262.10
	Ex	1269.00	222.00

Manila

	HK$*	US$**
O	991.00	170.80
R	1783.50	307.50
Ex	—	—
O	695.00¶	119.80¶
R	1251.00¶	215.70¶
Ex	—	—
O	1039.00	179.20
R	1871.00	322.60
Ex	—	—

Seoul

	HK$*	US$**
O	950.00†	163.80†
R	1710.00†	294.90†
Ex	—	—

No Service

Taipei

	HK$*	US$**
O	557.00	96.10
R	1003.00	173.00
Ex	—	—

O: One way R: Return Ex: Excursion 30-day return limit

CARGO RATES

Hongkong

		HK$*	US$**
Manila	A	3.36	0.58
	B	2.49	0.43
Seoul	A	5.80	1.00
	B	—	—
Taipei	A	4.00	0.68
	B	3.00	0.51
Tokyo	A	7.59	1.31
	B	5.68	0.98

Manila

	HK$*	US$**
A	9.16	1.58
B	8.29	1.43
A	7.31	1.26
B	5.45	0.94
A	10.96	1.89
B	8.18	1.41

Seoul

	HK$*	US$**
A	9.74	1.68
B	7.31	1.26

No Service

Taipei

	HK$*	US$**
A	7.13	1.23
B	5.34	0.92

A: Rate per kilo under 45 kilos. B: Rate per kilo 45 kilos and over.
* Acceptable in Hongkong only.
** Acceptable in local currency subject to Government regulations and fluctuating exchange rates.
§ Directional from Seoul and applicable to U.N. personnel only.
‡ Subject to Government approval.
† Via Hongkong.

Minimum Charges: Minimum charge for all cargo will be HK$4 (US$0.70) or the charge for 1 kilo (2.2 lbs.) whichever is the higher.

Newspaper Rate Between Hongkong and Taipei: Newspapers and periodicals originating from Hongkong and terminating in Taipei are charged at HK$2.50 per kilo, subject to Minimum Charge rule.

FINANCE & COMMERCE

HONGKONG & FAR EASTERN EXCHANGE MARKETS

U.S.$

Date	T.T. High	T.T. Low	Notes High	Notes Low
27/1	$588½	588¼	589⅛	588¾
28/1	588¼	587½	588⅞	588¼
29/1	587¾	587½	588½	588⅛
30/1	588¾	587½	589⅝	588⅜
31/1	589	588⅜	590⅜	589¾
1/2	589	588¼	590½	589⅜

D.D. rates: High 588 Low 586¼.

Trading totals: T.T. US$3,830,000; Notes cash US$490,000, forward US$2,490,000; D.D. US$480,000.

Highest and lowest rates recorded in January, 1958 were for T.T. at $591¼ and 586¾, and for Notes at 591⅛ and 584⅝. The market was quiet. In the T.T. sector, gold and general importers bought, and usual offers came from Japan, Korea and the Philippines. In the Notes market, agents of Communist China bought only limited amounts. There was still no fixing for change over interest rate in the fictitious forward market. Positions taken by speculators averaged US$ two million per day. In the D.D. sector, market continued active.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1.74—1.715, Japan 0.0142—0.01405, Malaya 1.876—1.873, Vietnam 0.0666—0.06535, Laos 0.064, Cambodia 0.078, Thailand 0.2754—0.2695, Indonesia 0.122—0.119, India 1.09. Sales: Pesos 320,000, Yen 80 million, Malayan $410,000, Piastre 8 million, Kip 6 million, Rial 5 million, Baht 4 million, Rupiahs 150,000, Indian Rupees 100,000.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK$: England 16.2025—16.1006, Australia 13.0169—12.7575, New Zealand 16.2025—15.8678, United States 5.77€2—5.6939, Canada 5.8824—5.7971, India 1.2158—1.2048, Ceylon 1.2195—1.2075, Burma 1.2158—1.2048, Pakistan 1.2176—1.2039, Malaya 1.8868—1.8692. Selling per foreign currency unit in HK$: South Africa 16.237, Switzerland 1.3267, Belgium 0.1164, West Germany 1.3817.

Chinese Exchange: People's Yuan officially unchanged at 6.839 per Pound Sterling, 0.427 per HK$, 0.805 per Malayan $, 0.514 per Indian or Pakistan Rupee, 0.585 per Swiss Franc, and 2.345 per US$; cash notes and transfers quoted at HK$1.81—1.45 per Yuan. Taiwan Dollar remained officially at 15.65—15.55 per US$ and 2.74—2.72 per HK$; cash notes quoted at HK$0.153—0.151 per Dollar, and remittances at 0.139—0.137.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 15.57—15.51, Australia 12.64—12.57, New Zealand 14.10, Egypt 10.00—9.00, East Africa 14.70—14.40, South Africa 15.60, West Africa 13.50, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1755—1.17, Pakistan 0.785, Ceylon 0.94—0.92, Burma 0.575, Malaya 1.855—1.833, Canada 5.9525—5.925, Cuba 5.00, Argentina 0.12, Brazil 0.055, Peru 0.27, Mexico 0.40, Philippines 1.795—1.775, Switzerland 1.35—1.34, West Germany 1.35, Italy 0.0091—0.009, Belgium 0.108, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.0122—0.0121, Vietnam 0.068—0.066, Laos 0.0645—0.064, Cambodia 0.07875—0.0775, New Guinea 1.00, Indonesia 0.121—0.116, Thailand 0.273—0.269, Macao 1.005—1.00, Japan 0.0143—0.0142.

Gold Market

Date	High .945	Low .945	Macao .99
27/1	$257⅛	256¾	
28/1	256¾	256¼	Low 266½
29/1	256⅝	256¼	
30/1	257¼	256¾	
31/1	258	257⅛	
1/2	257⅞	257⅛	277¼ High

The opening and closing prices were $257⅛ and 257¼, and the highest and lowest 258 and 256¼. The market was quiet but slightly on the steady side. Interest for change over favoured sellers and aggregated $1.45 per 10 taels of .945 fine. Tradings averaged 4,800 taels per day and amounted to 28,800 taels for the week, in which 11,330 taels were transacted in cash (3,630 taels listed officially and 7,700 taels arranged privately). Speculative positions taken averaged 9,500 taels per day. Imports came from Macao and amounted to 11,000 taels. One shipment of 55,800 fine ounces arrived in Macao during the week. Exports totalled 9.000 taels (6,000 to Singapore, 2,000 to Indonesia, and 1,000 to Rangoon). Differences paid for local and Macao .99 fine were $12.40—12.20 and 11.50—11.20 respectively per tael of .945 fine. Cross rates were US$37.86—37.85 per fine ounce, and 40,000 fine ounces were contracted at 37.85 C.I.F. Macao. US double eagle old and new coins quoted at $263 and 230 respectively per coin, English Sovereigns $60—59 per coin, and Mexican gold coins $275 per coin.

Silver Market: 500 taels of bar silver were traded at $5.70—5.65 per tael and 1,000 dollar coins at $3.63—3.58 per coin. Twenty-cent silver coins quoted at $2.80—2.75 per five coins.

Money Market: With the near approach of the Lunar Year ending, the market was turning towards easy for majority of obligations were well arranged. Banks charged around 8% p.a. for general credits and 10—12% p.a. for longer term loans. Chinese banks and financiers asked 12—15% p.a. for secured loans and 15—20% p.a. for loans without security.

Indonesian Exchange: Due to the chaotic economic conditions in Indonesia and the deterioration allround in that country the exchange rate of the rupiah on free markets remained depressed and the outlook for any improvement is entirely disappointing. There are few buyers of rupiahs and, as travel to Indonesia is now more difficult than ever, little if any demand for rupiahs on the part of travellers can be expected. All merchants in Indonesia are disturbed by the continuing adverse conditions experienced in every field of commercial, industrial and financial activity. Bankruptcies are common and flight capital is more anxious to escape from Indonesia even at great risk. There is mounting graft and therefore capital 'escapists' can manage to leave the country with some assets.

Gloom prevails in Djakarta where general conditions have further and even alarmingly deteriorated. A very drastic official devaluation of the rupiah is inevitable which will lead when it comes to more hardship for the people with resultant political consequences. Within the financial and other economic authorities in Djakarta, apart from the fact that graft has become so general that it no longer arouses protests as before, there rage conflicts and often violent oppositional views. The political situation is serious and the prospects for the current year are very discouraging for all sectors of the population. Foreign residents are carrying on in despondency. Happy faces are no longer seen in Djakarta. Apprehension of the future is uppermost in the minds of the business community. The virtual collapse of the rupiah, long predicted, is around the corner.

Philippine Exchange: The austerity period introduced by the Garcia Administration cannot be expected to improve the rot which has once again set in after the tragic death of the great Filipino patriot Ramon Magsaysay. The free market value of the peso remains low and prospects for its improvement are non-existent. The low morale of the people which has further declined due to the wide spread corruption in government does not augur well for political stability and economic progress in the country.

There is distinct flight from the peso; confidence in that currency,

always shaky, has sunk to a very low point. Even the staunchest defenders of the peso have now lost heart. The Manila government and its so-called expert advisers, who often are incompetent and naive in their public utterances, appear helpless and the general public show growing signs of restiveness and even disgust with prevailing conditions. A revolutionary sentiment is clearly discernible. A certain and progressive disintegration in Manila society with accompanying moral decay is all too visible. The danger signs are definitely growing.

Political unrest is showing itself in unending party feuds; but no politician seems to have much credit left with the common people. Foreign observers are feeling more alarm than ever; with all sympathy one cannot help noticing a steady downward movement in the economic life of the nation. Poverty and unemployment are rampant; inability on the part of the present government and of all the existing political parties to ameliorate the unfavourable conditions of to-day is evident, and taken for granted by a disillusioned nation. Under discouraging political and economic conditions, and with a society largely bereft of ethical motives, it is no wonder that the black exchange market in Manila has grown in importance and extent and that there is ever more selling of the peso against foreign exchange and flight from the peso into real estate and hedging against the generally expected inflation. Stagnation has set in quite some time ago. Government officials show little spirit and the public suspects almost every official to indulge in graft and corruption. It is a very unfavourable impression one obtains nowadays from a review of the scene in the Philippines.

Even the tourist industry, which earlier was hoped to be developed as a 'dollar' earner, has remained stagnant and cannot be promoted as long as the peso is so excessively overvalued officially while actually its value is declining on all free markets. Cost of living in Manila, if based on the official peso value, is incredibly high and no overseas travellers could possibly afford to live for some time there. Only when computing the peso at the real value, that is the free market rate, can cost of living in Manila be termed tolerable though considering the poor facilities and the backwardness of the country's tourist industry, the free exchange rate of the peso is still too high, and a rate of about HK$1.50 per one peso would appear to be justified. There are many proponents for an official devaluation of the peso, from 50 USc as at present down to 30 or 25 USc. If a devaluation of the peso has eventually been adopted at, say, 25 USc (or four pesos to the US$), the situation in the Philippines could not be hoped to have been righted unless political and economic conditions at the same time will have been improved and the general defeatism now depressing the nation will have been lifted. American assistance cannot bring about this change; it must come from the Filipinos who are unfortunately misgoverned and badly exploited by a thin crust of their own people of whatever blood admixture. The 'social cancer' is still holding the Philippine nation in its grip; it is cancer which can be eliminated but a minor social revolution will be necessary.

HK SHARE MARKET

With the exceptions of Wharves and Star Ferries, most popular shares enjoyed steady demand throughout last week. Turnover averaged $700,000 per day (Monday $864,000, Tuesday $617,000, Wednesday $509,000, Thursday $749,000, Friday $728,000).

In addition to big-parcel dealings the market was stimulated by active small transactions. Interest was particularly keen on Utilities, Hotels, Lands, Banks, Cements and Wheelocks. Prices fluctuated within a narrow limit because buyers were forcing prices down while sellers wanted better offers. The market at the close was very firm because most quotations were attractive. If local bank rates are lowered, trading will gather momentum after the Chinese New Year.

Meanwhile, Hotels retained very strong demand; 17,700 shares changed hands last week with prices remaining at previous week's high level. Lands moved between $32.75 and $33.25, 11,200 shares transacted. HK Banks first dipped by $7.50 but recovered later to $835, $2.50 better than the closing price of previous week. Cements showed signs of recovery with 2,100 shares traded at steadily advancing prices of $25, $25.90, $26 and closed at $26.20; there were more buyers than sellers. According to unconfirmed reports Green Island would not pay a dividend of $4; however, business last year was not as bad as had been anticipated and the dividend would probably be about $3 which is better than most investors had expected. Wheelocks enjoyed renewed demand; XD quotation at the close was

Share	Jan. 24	Last Week's Rate			Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest	Closing			
HK Bank	832.50	835	825	835	+$2.50	$50	5.99
Union Ins.	73.50 s	73.50 s	71	71	—$2.50	$3.40	4.79
Lombard	32.50 b	33 n	32 b	32 b	—50c	$2	6.25
Wheelock	6.50	6.70	6.55	XD 6.35	+20c	75c	11.81
HK Wharf	121 s	—	—	121 s	quiet	$6	4.96
HK Dock	50	50	49	49 b	—$1	$2	4.08
Provident	12.30 s	12.30 s	12	12.30 s	steady	$1	8.13
HK Land	33.25	33.25	32.75	33.25	steady	$3.50	10.53
Realty	1.35 n	1.40 s	1.35 b	1.35	firm	15c	11.11
Hotel	16.50	16.60	16.20	16.50	steady	$1	6.06
Trams	24	24	23.70	23.90	—10c	$1.70	7.11
Star Ferry	124	126 s	122 b	126 s	firm	$9	7.14
Yaumati	95	95	94 b	95 b	steady	$7.50	7.89
Light	16.80	17	16.80	17	+20c	$1.10	6.47
Electric	27	27	26.70	26.90	—10c	$1.80	6.69
Telephone	26.20	26.70	26.30	26.70	+50c	$1.50	5.62
Cement	25	26.20	24.60 b	26.20	+$1.20	$4	15.27
Dairy Farm	16.30	16.50	16.10	16.30	steady	$1.63	10.00
Watson	12.30	12.30	12.20	12.30	steady	$1	8.13
Yangtsze	5.50 b	5.50	5.45 b	5.45 b	—5c	65c	11.93
Allied Inv.	3.675 n	3.75 s	3.675 n	3.675 n	steady	25c	6.80
HK & FE Inv.	9.80 b	10 n	10 n	10 n	quiet	80c	8.00
Amal. Rubber	1.30	1.30	1.30	1.30	steady	23c	17.69
Textiles	4.55 b	4.575	4.50 b	4.575 n	+2½c	50c	10.93
Nanyang	8.40 b	8.40	8.30 b	8.40 b	steady	$1	11.90

very firm. Among Utilities, Telephones, Electrics, Lights and Trams were particularly popular; fluctuations, however, were small.

The Secretaries for Yangtsze Finance announced that at the close of business on January 30th, the shares had a statistical value of $7.61. The closing rate in the stock market was $5.45 b with no selling response; 2,000 shares changed hands at $5.50 during the week.

CLOSING RATES ON 31/1/58

H.K. Govt. Loans

3½% Loan (1934 & 1940), 89 nom.
3½% Loan (1948), 82¼ nom.

Banks

H.K. & S. Bank, 830 b; 837½ s; 835 sa.
H.K. & S. Bank (Lon. Reg.) £44¾ nom.
Bank of East Asia, 270 b.

Insurances

Union Ins., 70 b; 72 s; 71½/71 sa.
Lombard Ins., 32 b.
China Underwriters, 6.40 nom.

Investment Companies

Allied Investors, 3.675 nom.
Yangtsze Finance, 5.45 b.
H.K. & F.E. Invest., 10 nom.

Shipping

Douglas, 420 nom.
Indo China (Pref.), 13 nom.
Indo China (Def.), 40 nom.
U. Waterboat, 18½ b.
Asia Nav., 1.275 b.
Wheelock, Ex. Div., 6.30 b; 6.40 s; 6.35 sa.

Docks, Wharves & Godowns

H.K. & K. Wharf, 121 s.
Sh. Hongkew Wharf, 1.20 nom.
H.K. Dock, 49 b.
China Provident, 12 b; 12.30 s.
China Provident (New), 11 b.
S'hai Dockyards, 1 nom.

Mining

Raub Mines, 2½ nom.
H.K. Mines, 2c. nom.

Lands, Hotels & Bldgs.

H. & S. Hotels, 16.40 b; 16½ s; 16½ sa.
H.K. Land, 33 b; 33½ s; 33¼ sa.
A/Fr. Land, 35c. nom.
S'hai Land, 72c. nom.
Humphreys, 15½ b; 15.70 s.
H.K. Realty, 1.325 b; 1.35 sa.
Chinese Estates Ex. Div., 350 nom.

Public Utilities

H.K. Tramways, 24 b.
Peak Trams (F. Pd.), 72 nom.
Peak Trams (Partly Pd.), 36 nom.
Star Ferry, 123 b; 126 s.
Yaumati Ferry, 95 b.
China Light, 17 b; 17.10 s; 16.90/17 sa.
H.K. Electric, 26.90 b; 27 s; 26.90 sa.
Macao Electric, 10.80 s.
Sandakan Light, 8½ nom.
H.K. Telephone, 26.60 b; 26.80 s; 26.60 sa.
Shanghai Gas, 1 nom.

Industries

G.I. Cement, 26 b.
H.K. Rope, 14.90 s.
Metal Industries, 1.05 b.
Amoy Canning (H.K.), 38½ nom.

Stores

Dairy Farm, 16.30 b; 16.40 s; 16.30 sa.
Watson, 12.20 b; 12.40 s; 12.30 sa.
L. Crawford, 14.20 nom.
Cald. Macg. (Ord.), 28 b; 28.20 sa.
Sincere, 3 b.
China Emporium, 8.90 b.
Sun Co., Ltd., 1 nom.
Kwong Sang Hong, 167 nom.
Wing On (H.K.), 70½ b.

Miscellaneous

China Entertainment, 22.80 nom.
International Films, 45c s.
H.K. Construction, 5.80 nom.
Vibro Piling, 16½ b.
Marsman Investments, 6/- nom.
Marsman (H.K.), 65c. nom.

Cottons

Ewo, 85c. nom.
Textile Corp., 4.575 nom.
Nanyang Mill, 8.40 b; 8.55 s.

Rubber Companies

Amalgamated Rubber, 1.275 b; 1.325 s; 1.30 sa.
Ayer Tawah, 1.975 nom.
Java-Consolidated Estates, 24c. nom.
Langkat, 1¼ nom.
Rubber Trust, 1.20 b; 1.225 s.
Shanghai Kelantan, 75c nom.
Shanghai Sumatra, 2.60 nom.
Sungala, 1½ b.

TRADE REPORTS

Most traders here refrained from booking too much supplies from UK, US, Japan and Europe because money remained tight last week on account of the approaching Chinese New Year. Importers also anticipated lower offers in view of the world-wide downward trend of commodity prices. Furthermore, the uncertain demand from SE Asia did not justify heavy replenishments.

HK/China Trade—Peking purchasing agents here absorbed small lots of a few items of metals; they were disappointed to find that prices here could not be forced further down because there was no serious liquidation of merchandise in spite of the tight money among dealers during the past month.

Imports of foodstuffs continued heavy especially in the case of preserved meat preparations. There were also paper, napery, drawn lace work, chinaware, tea, wire nails, stone and cement but quantities moderate. A two-ton made-in-China battery-driven platform trolley was displayed by a local firm last week; but no order was placed.

HK/Japan Trade—Imports at 1,000 tons and exports 300 tons were at a very low level. More orders arrived for China produce and scrap metals but quantities involved insignificant. Indent offers from Japan for paper, woollen yarn, blankets, etc. were slightly lowered but dealers anticipated further drops thus restricting their replenishments to a minimum.

HK/UK Trade—More orders arrived from UK for gloves, rubber shoes, plastics products and other HK manufactures; demand for woollen gloves was particularly keen. Exports during the week amounted to about 5,000 tons; ginger, rosin and other produce constituted only a very small percentage of the tonnage. Imports slower, only about 1,000 tons of metals, chemicals, woollen textiles, cigarettes and automobiles.

HK/Europe Trade—Cargo movements between HK and Europe amounted to about 1,500 tons each way. Imports came chiefly from Italy; principal items included woollen textiles, cotton piecegoods, metals, paper and pharmaceuticals. Several exporters in France last week tried to contact local dealers for the marketing of French fancy jewellery, shoes, electric appliances, wines and glassware in HK and the Far East. Representatives of Verrerie Cristallerie of Arques and Geosyl of Saint-Denis will come here in February to promote sales of French glassware, electric fittings and industrial chemicals.

HK/Thailand Trade—Exports to Thailand totalled 1,500 tons but purchases from here during the week slowed down; interest centred on a few items of enamelware, metals and pharmaceuticals. Imports of rice from Bangkok however remained heavy, about 4,000 tons.

HK/Indonesia Trade—Indonesia shipped here about 1,800 tons of coal in addition to sugar, rattan and, other produce. Exports however quiet. On account of dwindling foreign exchange reserve, Djakarta was planning to further tighten the control on essential imports and to ban luxuries and non-essentials. Indonesia is caught in a vicious circle. The curtailment of visible imports stimulates commodity prices which in turn encourage smuggling; this development indirectly exhausts the foreign exchange reserve forcing Djakarta to further cut import expenditures.

HK/Malaya Trade—Shipments of sundry provisions, fruits, enamelware, vacuum flasks, metal lanterns, shoes, toys, cosmetics and other seasonal goods to Singapore and other Malayan ports were very active on account of the approaching festive season; most consignments were covered by previous orders. Purchases during the week slower; interest was centred on a few items of produce, metals, pharmaceuticals and sundry provisions.

HK/Philippines Trade—Authorities in Manila pushed ahead plans to procure 50,000 tons of rice from HK against exports of 36,000 tons of copra. However, President Garcia threatened to cancel the deal if it was proved that the rice came from Communist sources.

HK/Korea Trade—Demand from Seoul was centred chiefly on paper. Enquiries for pharmaceuticals, metals and industrial chemicals were not keen and most transactions fell through because buying offers too low.

HK/Taiwan Trade—Taipei continued to ship substantial quantities of sugar to the local market. There were also ginger, citronella oil, fruits, tea, camphor products and starch but quantities small. Imports last week included snake meat which is much in demand in HK restaurants. Snake meat imports during January were estimated at about 440 pounds.

HK/Cambodia Trade—Rice imports from Phnompenh increased in volume. Demand from Cambodia covered mostly canned food, fruits, vegetables, joss

sticks and paper, enamelware, torch and battery, electric appliances, plastics products, cigarettes, tea and sundries.

HK/Laos Trade—Trade with Laos remained quiet but dealers here anticipated that the situation would improve as soon as authorities there begin to allocate 1958 US Aid Funds which amount to $44 million.

HK/Vietnam Trade—Saigon importers enquired for various popular items of paper from the local market after authorities there earmarked $700,000 of the US Aid Funds for paper imports. Demand for HK manufactures and other re-exports remained sluggish. Haiphong last week also interested in paper but demand was not as keen as that from Saigon; most purchases were made against shipments of staples to the local market.

HK/Burma Trade—Rangoon merchants wanted to buy metals and industrial chemicals from here after authorities there granted more import exchange for industrial raw materials and supplies. Rangoon however tightened control over imports of luxuries because the foreign exchange reserve there was low as a result of curtailed exports of rice.

HK/New Zealand Trade—New Zealand's reserves of overseas funds fell during 1957. To reverse the trend, authorities there introduced new licensing arrangements to restrict imports. Orders concluded before January 1, 1958 are exempted from the new regulation.

HK/Canada Trade—Import of wheat flour slowed down on account of the sluggish local market for foreign brands. Canadian tin ingot, office appliance and paper products however retained steady although moderate local demand. Exports to Canada very quiet. Rubber shoes which usually constituted the bulk of the consignments to that market recently attracted fewer orders from Canada because import duty there on this item had been increased.

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China Produce—Singapore, Malaya and Japan provided the bulk of the business in the local produce market last week; interest covered sesame, groundnut kernel, spearmint oil, woodoil, dried chilli, beans, menthol crystal and gypsum. Trading volume small because supply limited in quantity and many transactions handicapped by low buying offers. Woodoil also favoured by Taiwan, Australia and Canada; most transactions concluded for forwards.

Metals—China took up several small lots of round bars, iron pipes, blackplate and tinplate waste waste. Buying offers from Canton and Shanghai were extremely low but dealers here insisted on current market quotations which were firmer toward week-end because local stocks (even in the case of round bars) were at a low level, imports slower and dealers here refrained from booking heavy replenishments. Furthermore, popular items such as structural steels, pipes, iron wire, steel plate, blackplate and tinplate waste waste, iron sheets and steel shaft were also favoured by Thailand, Indonesia, Korea, Burma, North Borneo, Singapore and Malaya because prices here, although firmer, were still very attractive.

Paper—Korea provided the bulk of the business in the local market; interest centred on newsprint in reel, woodfree printing, sulphite, tissue, glassine, aluminum foil and duplex board. Volume restricted by low stock here. South Vietnam enquired for a large number of popular items but no transaction concluded last week. Local demand remained steady although quantities involved moderate; principal requirements included newsprint, art printing, woodfree, poster, kraft, manifold, bond, cellophane and glassine. Dealers here refrained from booking heavy replenishments although indents from Japan and Europe for many items were fractionally lower; further dips in indents were expected because market quotations for many items were still lower than new indents.

Pharmaceuticals—Fresh supplies of popular items arrived from Europe and UK last week. Trading however did not pick up; only Korea, Thailand and Singapore absorbed insignificant lots of penicillin oil injection, dihydrostreptomycin, sulfamerazine, phenacetin and chloramphenocol from the spot market.

Industrial Chemicals—The market remained sluggish. Korea, Burma and Taiwan interested in sodium nitrate, petrolatum, carbon black, formalin and linseed oil; most transactions fell through because buying offers too low to interest local dealers.

Cotton Yarn—HK yarn remained steady although local demand slowed down with the approach of the Chinese New Year; spot goods scarce. Pakistan brands were kept steady by high cost although trading quiet. Indian yarn also steady, stock lower. Japanese fine yarn retained limited volume of local business.

Cotton Piecegoods—Trading slower but prices for most products steady; there was no stock liquidation. Chinese grey sheeting and drill slightly weaker because recent demand from overseas covered mostly HK manufactured cloth and Japanese brands.

Rice—Bangkok continued to ship large consignments of rice of various grades to the local market. There was also rice from China and Cambodia but volume of these imports was much less than shipments from Thailand. Prices remained at a low level.

Wheat Flour—Prices weak because supply exceeded demand. Imported brands were particularly sluggish; local products accounted for about 75% of total sales.

Sugar—More granulated fine sugar arrived from Taiwan; prices weak especially after some small-scale liquidation. The bearish sentiment also affected sales of Taikoo products which were forced down fractionally during the week. Brown sugar also bearish; supply from Indonesia heavy.

Cement—Imports from China were thin. Supply from Japan was not heavy. Local demand remained strong. Green Island reported that business had been much better recently than a year ago; prices firm.

Frozen Meat—Imports of frozen meat from China recently curtailed because stock here was heavy and local sales had declined. According to a local godown manager it is more difficult to keep Chinese frozen meat in good condition than to store Australian meat probably due to different processing methods used. Furthermore, prices for Chinese meat are now less competitive than when it was first introduced to the local market.